The Journal of Social, Political and Economic Studies

THE COUNCIL FOR SOCIAL & ECONOMIC STUDIES
1133 13th STREET N.W., SUITE COMM 2
WASHINGTON, DC 20005
(202) 789-0231
Vol 6 No. 3

Fall 1981

underground government: subverting constraints on public sector expansion
JAMES T. BENNETT & THOMAS J. DILORENZO

unionization and education: lessons from the illinois schoolrooms
JOHN B. PARRISH

the syndicalism of the intellectuals: a commentary on the role and purpose of the american intelligentsia in promoting socialism in the united states
EDWIN VIEIRA, JR.

the british political crisis
K.W. WATKINS

nordic defense – is the flank being turned?
TALBOT S. LINDSTROM

the puzzles of portuguese politics
ANTHONY T. BOUSCAREN

Contemporary Economics and Business Association
at George Mason University
and
Council for Social and Economic Studies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

OUR CONTRIBUTORS IN THIS ISSUE

James T. Bennett – Professor of Economics, George Mason University, Fairfax, Virginia; **Anthony Bouscaren** – Professor of Political Science, Le Moyne College, Syracuse, New York; **Thomas J. DiLorenzo** – Associate Professor of Economics, George Mason University, Fairfax, Virginia; **Talbot S. Lindstrom** – Attorney, International Trade Commission, Washington, D.C.; **John B. Parrish** – Professor of Economics, University of Illinois at Urbana-Champaign, Urbana, Illinois; **Edwin Vieira, Jr.** – Member, Maryland and District of Columbia Bars, 12408 Greenhill Drive, Silver Spring, Maryland; **Kenneth Watkins** – Professor of Political Science, The University, Sheffield.

The Journal of Social, Political and Economic Studies is a referred journal published quarterly by the Council for Social and Economic Studies in cooperation with the Contemporary Economics and Business Association at George Mason University. The address for correspondence is Suite 520, 1629 K Street, N.W., Washington, D.C. 20006. (Telephone: 202/232-1040). Formerly known as the *Journal of Social and Political Studies*, the subscription rate is $40 per annum for libraries, institutions and other corporate bodies. Reduced three year subscription rates are available at a cost of $110 for libraries and other corporate bodies (twelve issues); and special subscription rates are available to faculty members, students, and certain other qualified individuals. Members of the academic community and other interested readers are invited to consult the General Editor at the foregoing address concerning articles which they may wish to submit for consideration for publication.

ISSN 0193-5941 (Formerly 362-580X)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE JOURNAL OF SOCIAL, POLITICAL AND ECONOMIC STUDIES

ROGER PEARSON
General Editor

LLOYD M. DEBOER
Consulting Editor
Dean, School of Business Administration
George Mason University
Fairfax, Virginia

WILLIAM P. SNAVELY
Consulting Editor
Chairman, Department of Economics
George Mason University
Fairfax, Virginia

Vol. 6 No. 3

Contents

Underground Government: Subverting Constraints on Public Sector Expansion 219
By James T. Bennett and Thomas J. DiLorenzo

Unionization and Education: Lessons from the Illinois Schoolrooms 235
By John B. Parrish

The Syndicalism of the Intellectuals: A Commentary on the Role and Purpose of the American *Intelligentsia* in Promoting Socialism in the United States 269
By Edwin Vieira, Jr.

The British Political Crisis 297
By K.W. Watkins

Nordic Defense – Is the Flank Being Turned? 307
By Talbot S. Lindström

The Puzzles of Portuguese Politics 327
By Anthony Trawick Bouscaren

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDITORIAL BOARD

General Editor
Roger Pearson
Council for Social and Economic Studies
Washington, D.C.

Consulting Editors
Lloyd M. DeBoer
George Mason University
Fairfax, Virginia

William P. Snavely
George Mason University
Fairfax, Virginia

Alan Beattie
London School of Economics

James T. Bennett
George Mason University, Virginia

Stuart Butler
Adam Smith Institute, London

Sam S. Crutchfield, Jr.
Washington, D.C.

David Dilks
University of Leeds

Jurgen Dömes
University of Saarbrucken

Daniel Ellegiers
University of Brussels

Julien Freund
University of Strasbourg

Ernest van den Haag
State University of New York, Albany

Thomas R. Haggard
University of South Carolina

John H. Hallowell
Duke University

Garrett Hardin
University of California, Santa Barbara

Dan C. Heldman
Washington, D.C.

Clifford A. Kiracofe, Jr.
U.S. Senate Staff

Russell Kirk
Mecosta, Michigan

Thomas Molnar
Brooklyn College, New York

James Mayall
London School of Economics

James McClellan
U.S. Senate Staff

Sylvester Petro
Wake Forest University

Robert L. Pfaltzgraff, Jr.
Tufts University

Robert C. Richardson, III
Washington, D.C.

R. J. Rummel
University of Hawaii at Manoa

Alan Ned Sabrosky
Foreign Policy Research Institute

Helmut Schelsky
Westfäliche Universität, Münster

Kenneth W. Watkins
University of Sheffield

Udo Weiss
University of Heidelberg

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

UNDERGROUND GOVERNMENT: SUBVERTING CONSTRAINTS ON PUBLIC SECTOR EXPANSION*

By
James T. Bennett
and
Thomas J. DiLorenzo

Recently, a number of governments, including those of the United States and Great Britain, have announced a commitment to a reduction in the size and influence of the public sector. Both the Thatcher and the Reagan administrations aspire to reduce the rate of growth of the money supply, to cut government spending, to reduce the burdens of taxation and regulation, and to pursue budgetary balance. There has been a return to the classical fiscal philosophy that was popular during the eighteenth, nineteenth, and the early twentieth centuries. With the optimism expressed over the efficacy of balanced budget and spending limitation rules in constraining the growth of the government Leviathan, one would think that such optimism is based on thoroughly tested previous practice. A brief historical survey shows, however, that for decades politicians in many democratic countries, liberal and conservative alike, have espoused a philosophy of fiscal conservatism while at the same time hiding billions of dollars of expenditures by establishing off-budget "quasi-governmental corporations."

In the next section the classical fiscal philosophy which has influenced advocates of the current "tax revolts" in the U.S. and elsewhere is discussed. It is shown that, historically, politicians of all persuasions have adhered to this philosophy in their pronouncements while simultaneously increasing the size and scope of the off-budget public sector. Current attempts at budgetary control in the U.S. are then considered to show that off-budget federal expenditures have increased at an alarming rate in the past eight years and are likely to increase even further with the current "budget cutting" mood of the Congress and the Reagan administration. A brief survey of off-budget enterprise in Great Britain, Japan, and Israel is then presented. The final section contains summaries and conclusions.

The author's gratefully acknowledges research support provided by the National Federation of Independent Business.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Return to Fiscal Conservatism

The tax revolt of the 1970s has signalled a resurgence in classical economic principles regarding fiscal policy. "Pre-Keynesian" or "classical" fiscal principles can be summarized via analogy between the state and the family.(1) That is, prudent financial conduct of government was viewed in the same way as that of households and business firms. Substantial and continued government deficits were regarded as irresponsible and unacceptable. Also, when capital expenditures were financed by debt, allowances should be made for the establishment of sinking funds for amortization of the debt. Classical fiscal principles also supported budget surpluses during "normal" times to provide a cushion for more troublesome periods.

These "principles of sound finance" were based on two major analytical tenets. The first, as originally described by Adam Smith, is that debt finance by government is evidence of political profligacy. Debt finance enabled current taxpayers to enrich themselves at the expense of future generations. This principle reinforced the support for balanced budgets. Second, as Swedish economist Knut Wicksell espoused, effective democratic government requires institutional arrangements which allow citizens to take account of the benefits *and* the costs of government, and to do so simultaneously. Thus, in addition to balancing the budget, classical fiscal principle held that it was also desirable to balance the fiscal choice process. Individuals can only make informed, rational assessments of various public expenditure proposals if they are presented with a tax bill at the same time.

These classical fiscal principles were, of course, largely abandoned with the advent of the "Keynesian revolution," which attempted to legitimize deficit spending financed by borrowing and money creation. And, as the saying goes, the rest is all history. Due to the Keynesian philosophy the economy has, during the past decade, labored under high inflation, high unemployment, a growing governmental sector, and a growing disenchantment with what government can provide in return for our taxes. Keynes himself would be greatly disappointed in what his "political legacy" has wrought, for he warned over 50 years ago that:

> ...the best way to destroy the capitalist system is to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and while the process improverishes many, it actually enriches some...Those to whom the system brings windfalls...become 'obscene profiteers,' who are the object of the hatred of the middle class whom inflation has impoverished...Governments, being...reckless in their methods as well as weak, seek to direct onto a class known as 'profiteers' the popular indignation against the more obvious consequences of their own vicious methods. These profiteers are the active and constructive element in the whole capitalist society, who in periods of rapidly rising prices cannot help but get rich...The profiteers are the consequence and not a cause of rising prices.(2)

The tax revolt of the 1970s, the election of President Reagan whose commitment to lower taxes and spending at the federal level of government struck a responsive chord, and public opinion polls(3) all reveal that American taxpayers are indeed disillusioned by the realization of Keynes' political legacy. The classical fiscal principles have regained respect. Many hope that a return to the classical fiscal philosophy will reverse the economic trends of the past decade.

The Rhetoric and Reality of Balancing the Federal Budget: An Historical View

The resurgence of the classical fiscal philosophy has engendered a great deal of optimism. The Congress overwhelmingly supported President Reagan's "tax cut" and spending limitation legislation, and statements are being made throughout the news media regarding a basic reversal in the direction of government policy: The "New Deal" is over, so it is said, and there is hope for shrinking the size of the public sector and for balancing the federal budget. Lower rates of inflation, unemployment, and interest are soon to appear, so we are told, and the crowding out of private investment and spending caused by government expenditure will be diminished. A brief review of some political and economic history shows, however, that the imposition of balanced federal budgets, whether constitutionally or voluntarily, have never been very effective in constraining the size and scope of government. Beginning with Franklin D. Roosevelt, federal politicians have preached the classical philosophy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of balanced budgets and fiscal restraint, while at the same time expanding the activities of government through various off-budget "government corporations." Historically, spending limitations and balanced budget requirements have been routinely evaded by politicians through the simple expendient of redefining the budget. For example, Franklin Roosevelt based his electoral campaign on a balanced budget commitment, and in 1932 severely criticized Herbert Hoover for the irresponsibility which existing budget deficits reflected. In an address to the nation in July 1932 Roosevelt said:

> Let us have the courage to stop borrowing and to meet continuing deficits...Revenues must cover expenditures by one means or another. Any government, like any family, can, for a year, spend a little more than it earns. But you and I know that a continuation of that habit means the poorhouse.(4)

The 1932 Democratic platform called for an end to deficit spending and a reduction in the national debt. Once elected, however, one of the first moves of the Roosevelt administration was to establish a system of off-budget borrowing by government-owned "corporations" at the federal, state, and local levels of government. The federal government actively encouraged state and local governments to create various off-budget enterprises (OBEs), which were (and are) referred to as "public authorities" by distributing suggested enabling legislation to each state to use to create OBEs. In addition, the Reconstruction Finance Corporation (RFC) and the Public Works Administration (PWA) were financed to subsidize OBEs by purchasing their revenue bonds.(5) This federal initiative was quite successful at stimulating the growth of OBEs at the state and local levels of government. For example, in Pennsylvania over 50 OBEs were created at the local level of government between 1935 and 1942, about half of which received federal aid.(6) Between 1933 and 1935 the state of New York created 15 OBEs, three times the number created in the previous twelve years. By 1948 all but seven states had adopted enabling legislation for OBEs which were empowered to sell nonguaranteed (and not voter-approved) revenue bonds to finance a wide array of activities, from airports to watewater treatment plants. The amount of nonguaranteed debt issued by state and local governments increased rapidly, from near zero in 1937 to $151 million in 1938, and to $550 million in 1948, a 265 percent increase

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

over that decade. In contrast, the on-budget, voter-approved general obligation debt of state and local governments increased by 143 percent during the same period.(7)

This growth in the off-budget activities of state and local governments, which was strongly encouraged by the federal government, placed a large segment of the public sector beyond the control and scrutiny of taxpayers. The managers of OBEs are typically political appointees who enjoy far greater discretion than do managers of regular state and local government agencies.(8) In most instances OBEs are exempt from compliance with civil service restrictions, pay no taxes or license fees, are not regulated by public utility commissions, are exempt from compliance with many regulations, have powers of eminent domain which extend beyond the boundaries of the political entities which create them, and can retain excess revenues. The main difference between regular governmental departments and OBEs is that OBEs can raise and spend money without reference to the immediate wishes of the voters, whereas governments can tax and spend only in the amounts and manner specified by the electorate under the constitution and statutes of the state. Moreover, as mentioned above, the expenditures, borrowing, and employment of OBEs are not included in the reported statistics of the jurisdiction(s) that form(s) them. For this reason, politicians can claim to "shrink" the size of the public sector while expanding the off-budget public sector.

Federal encouragement of off-budget spending continued throughout the 1950s and 1960s and was nonpartisan. President Eisenhower, a "balanced budget conservative," condemned the Tennessee Valley Authority, a federally sponsored OBE, as "creeping socialism," while at the same time encouraging local governments to create off-budget school building authorities.(9)

Many off-budget enterprises have also been explicitly created at the federal level of government. Among the first to begin operations was the Tennessee Valley Authority (TVA). The TVA was originally an on-budget agency, funded with Congressional appropriations. In 1959, however, the Congress granted the TVA the right to finance its activities by issuing revenue bonds, thereby placing its expenditures and debt off-budget. In 1974, of total expenditures of $1.36 billion, only $65 million, or 4 percent was derived from federal appropriations.(10) Off-budget enterprises at the federal level expanded rapidly during

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the 1940s and 1950s, and were heavily subsidized by the RFC. By 1953 there were hundreds of OBEs at the federal level, and the federal government was the largest electric power producer in the U.S., the largest insurer, the largest lender *and* borrower, the largest landlord, the largest tenant, the largest owner of timberland, the largest owner of grain, the largest warehouse operator, the largest shipowner, and the largest truck fleet operator. As one commentator has put it, "For a country which is the citadel and the world's principal exponent of private enterprise and individual initiative, this is rather an amazing list."(11)

The RFC, which was originally created to subsidize capital investment during the depression, actually extended the bulk of its loans *after* World War II. Fifty-six percent of its loans were issued between February 1947 and June 1951. This federal promotion of off-budget spending was eliminated in 1957, however, after a Congressional investigation brought to light many examples of corruption and favoritism.(12) Many of RFC's loans to gambling casinos, bars, breweries, pornography dealers, and other such establishments were difficult to justify on the "public interest" grounds which Congress had previously stipulated.

In summary, it is clear that the size and growth of government has, for decades, been grossly understated. The budget deficits which became more and more acceptable as the Keynesian revolution progressed (digressed) were much larger than governmental statistics have ever shown due to the fact that billions of dollars of expenditure and debt were (and are being) placed off-budget by federal, state, and local governments.

Attempts at Federal Budget Balance and Spending Limiations

By the early 1970s it was widely recognized by members of Congress that existing budgetary procedures led to excessive spending and harmful deficits. The total amount of federal spending emerged as a product of many individual decisions, with no attention being paid to the total amount of expenditure. The Congressional Budget and Impoundment Act of 1974 was an attempt to address this problem.(13) The Act created a budget committee for each house responsible for setting overall targets for revenues, expenditures, and the resultant deficit (or surplus). The Congressional Budget Office was created to assist in this process. The main impact of the Congressional Budget

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Act is to make taxing, spending, and deficit levels explicit, and to hold Congress accountable for them; the Act itself does nothing to curb spending. Many have considered the Budget Act to be an essential prerequisite for reversing the budgetary profligacy of the past decades. *U.S. News and World Report* described it as "a revolutionary budget reform intended to give Congress a tighter grip on the nation's purse strings..."(14)

The "up-front" requirements of the Budget Act have elicited a good deal of "back door spending" at the federal level. In the wake of the Budget Act, numerous federal agencies have been and continue to be placed off-budget and immune from any appropriations process. Recently established off-budget federal outlays, by agency, are shown in Table I with the year in which each respective agency was placed off-budget in parentheses. Although the projected $23.2 billion in off-budget outlays in 1981 is only 4% of the federal budget, this amount has increased by an astounding 23,100 percent since 1973. Most recently, the Synthetic Fuels Corporation, scheduled to begin operations in 1981, was also placed off-budget. Congress had previously authorized $20 billion for the development of this "industry." The penchant for back-door federal spending is obviously nonpartisan. Both the Democratic-controlled House and the Republican-controlled Senate, at the insistence of the Reagan administration, recently voted to place the Strategic Petroleum Reserve "off the books."

As seen in Table I the Federal Financing Bank (FFB) is by far the most active off-budget agency.(15) The FFB, as part of the Treasury Department, does business with both on- and off-budget federal agencies. The major activity of the FFB is the purchase of agency debt from funds obtained by borrowing directly from the Treasury. FFB borrowing is not, however, included as part of the Treasury's budget outlays; interest payments from the FFB to the Treasury are, nevertheless, counted as deductions from Treasury outlays. Consequently, FFB borrowing activity actually results in a reduction in outlays reported by the Treasury Department! In essence, the FFB serves as an intermediary which permits the spending of federal agencies to be placed off-budget.

A second type of FFB activity is the purchase of agency loans and loan assets. When a federal agency sells a loan to a private entity, the loan is considered repaid for budgetary purposes. Loan sales are afforded the same treatment when the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

TABLE I

Off-Budget Outlays by Agency
(Billions of Dollars)

	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1980[e]
Federal Financing Bank (1974)	---	0.1	6.4	5.9	2.6	8.2	10.6	13.2	14.5	23.1
Rural Electrification and Telephone Revolving Fund (1973)	0.1	0.5	0.5	0.2	-0.1	0.4	0.1	--*	--*	---
Rural Telephone Bank (1973)	*	0.1	0.1	0.1	*	0.1	0.1	0.1	0.2	0.2
Pension Benefit Guaranty Corporation (1974)	---	---	--*	--*	*	--*	--*	--*	---	---
United States Postal Service Fund (1974)	---	0.8	1.1	1.1	-0.7	-0.2	-0.5	-0.9	-0.4	0.2
United States Railway Association (1973)	---	*	*	0.1	*	0.2	0.1	0.1	*	-0.3
Total Off-Budget Outlays	0.1	1.4	8.1	7.3	1.8	8.7	10.3	12.4	14.3	23.2

Notes:

[e]estimate — Office of Management and Budget estimate in fiscal 1982 budget document.

*less than $50 million.

Source: *Budget of the United States Government*, Office of Management and Budget, 1981.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FFB is the purchaser. Proceeds from the sale are counted as loan repayments rather than as a means of financing, and thus are an offset to the agency's gross expenditures. An agency's on-budget loan can therefore be converted to an off-budget loan by selling it to the FFB. In 1981 about 90 percent of all federal agency loan and loan asset sales will be to the FFB resulting in off-budget financing.

Rather than selling actual loans, an agency can sometimes pool its loans and issue securities backed by the pooled loans. These securities, known as "Certificates of Beneficial Ownership," can be sold to the FFB which places them off-budget.

The final activity of the FFB is its purchase of guaranteed loans. Typically, a loan guarantee occurs when a federal agency sanctions a loan between a private lender and a private borrower. The result is an interest subsidy to the borrower at no explicit cost to the Treasury, unless the borrower defaults. Frequently, however, an agency will ask the FFB to act as the private lender and purchase the borrower's note. In this case the loan guarantee becomes, in effect, a direct loan from the government, which is not reflected in the budget. In 1981 FFB purchases of loan guarantees are estimated to be $10.1 billion.

As has been the case with past administrations, the Reagan administration's commitment to a balanced federal budget and spending limitation is likely to consist more of rhetoric than of reality. Furthermore, a constitutional amendment requiring a balanced federal budget will not be successful in constraining spending since politicians can resort to the simple expedient of redefining the budget. Off-budget federal expenditures grew at an astounding rate after the Budget Control Act merely required members of Congress to claim responsibility for the total level of federal spending. A more severe requirement in the form of a balanced budget amendment is sure to elicit an even greater increase in back-door spending. One can only feel pessimistic over the prospects of fiscal restraint and budgetary balance when listening to President Reagan quote the champion of off-budget enterprise, Franklin D. Roosevelt, in his address to the 1980 Republican Convention.

An International Perspective

Off-budget governmental activities are not restricted to the United States, but are quite common in several other countries

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as well. Like so many other matters of custom, the public authority or OBE device was imported from Great Britain. "Public authorities" in the U.S. which are financed largely by the issuance of nonguaranteed revenue bonds are modelled after one of the first British OBEs, the Port of London Authority.(16) OBEs in Great Britain are referred to as "Quangos," an acronym for quasi-autonomous nongovernmental organization. Quangos are established by either acts of Parliament or by minister's fiat.(17) The managers of quangos are usually appointed by parlimentary ministers. There are six different categories of Quangos which perfrom a wide variety of tasks. First, there are the regulatory bodies such as the General, Medical, Optical, Dental, and Nursing Councils which engage in occupational licensing activities. The second category is the "spending agencies" which are given the responsibility of distributing block grants of public money at their own discretion. The third category consists of "local bodies" such as water authorities, regional planning councils, new town development corporations, port authorities, health authorities, and so on which are similar to the American OBEs described above. Fourth, there are the "consumer bodies" which are supposed to represent "consumer interests" in matters regarding the operation and activities of public monopolies in industries such as gas, electricity, coal, transport, and the postal service. The fifth category consists of the so-called "supervisory bodies" which are established with the intention of enforcing various laws passed by Parliament, although their effectiveness at this task has been questioned by several ministers. The Bureau of Office Location, for example, was established in 1963 to encourage the decentralization of office employment in central London and spent £2,011,506 doing so up to 1977. Then, with increasing rates of urban unemployment, the Bureau reversed its goals and strategies, which required a doubling of its yearly budget to £521,000. In only four years the Bureau will have spent as much encouraging centralization as it had spent encouraging decentralization during the previous 14 years.

The sixth category of Quango is the "quasi-judicial body," comprised of such entities as the Equal Opportunities Commission, the Commission for Racial Equality, and the Central Arbitration Committee. Like many similar government agencies in the U.S. these committees do not pursue "equal opportunity,"

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

but rather preferential treatment for the various interest groups which they represent.

At an aggregated level, Parliamentary Minister Philip Holland (1980) estimated that nationwide, there were 800 to 900 Quangos in the U.K. in 1978. As is the case in the U.S., both socialist and conservative governments have expanded the use of these off-budget entities. Since the conservative Thatcher government came to power, at least 55 Quangos have been established, including the Scottish Seed Potato Development Council and the Working Group on Rickets.(18) Even if the Thatcher government is successful at reducing the growth of government spending and the burden of taxation, which it hasn't thus far,(19) it is likely that the off-budget public sector will continue to expand and to tax the nation's wealth.

Off-Budget Enterprise in Japan

In every post office in Japan hangs a poster reading, "The funds you deposit in the postal savings system are invested in public corporations and banks, starting with your own town or village, and they serve to make your town or village a better place to live.(20) The Japanese Ministry of Finance has developed a scheme whereby savings accounts established at post offices and other trust funds deposited with the government are placed into a so-called "second budget," known as the Fiscal Investment and Loan Plan (FILP). The FILP was created in 1953 when it comprised 33.4 percent of the budget of the national government and 4.5 percent of GNP. By 1973 the FILP had increased to 48.5 percent of the general account budget and 6.3 percent of GNP. FILP funds are used to finance the activities of Japan's off-budget enterprises, which are also subsidized through the general account budget. The major type of OBE in Japan is the "special legal entity" (SLE). SLEs range from construction enterprises such as the Japan Housing Corporation and the New Tokyo International Airport Corporation to corporations engaged in social welfare activities, agriculture, energy development, and space development. In 1973 the 113 SLEs spent 80 percent of the FILP budget. The remaining 20 percent of the FILP was used to finance the activities of the 6,246 "local public entities," OBEs which are created by local politicians. In summary, ever since the end of the Second World War Japanese politicians have been successful at assimilating the American

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and British penchant for back-door spending. OBEs in Japan "compete" with regular units of government and with private industry in every sector of the economy, are largely isolated from the preferences of the voters, and spend, each year, an amount equivalent to approximately half of the federal budget.

Off-Budget Enterprise in Israel

In Israel, numerous off-budget "public corporations" are owned wholly or partly by the national and local governments. Scores of other corporations are owned by the Histadrut, the labor union federation, which is legally distinct from the government, but retains close ties with it and has exterted much influence over it. "Government corporations" in Israel are created by Parliamentary ministers as a means of evading budgetary and civil service restrictions.(21) There are hundreds of such corporations owned by the national government, such as the Israel Aviation Corporation which employs over 16,000 workers, Israel Chemical Corporation, and Israel Coin and Metals Corporation. Similar OBEs exist at the municipal level of government including at least 12 in Jerusalem and 27 in Tel Aviv. Israel's public corporations can be created or eliminated by the government's purchase or sale of shares in various companies. When the conservative Likud Party came to power in 1977 after nearly 30 years of rule by the socialist labor parties, it was committed to reducing the size and scope of the public sector, which entailed liquidating government holdings in various corporations. However, the Likud Party soon found that such a task was nearly impossible, since most of the public corporations are a means of off-budget financing of subsidies to the constituents of Parliamentary ministers. After a year and a half, the Likud Party had not sold any more shares than had the previous Labor Party government, and had only one company on its For Sale list.

The Histadrut owns over 2,000 corporations which employ about 23 percent of the Israeli work force and account for 20 percent of net national product. These corporations are heavily subsidized and influenced by the national government, and partake in a wide range of activities including manufacturing, banking, pension fund management, hospitals, agricultural cooperatives, and many others. Since Histadrut corporations provide a means of off-budget financing of jobs and other

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

benefits, political parties compete quite intensely in national elections for places on the national council of the Histadrut.

Another form of off-budget enterprise activity in Israel is the foundations which are run by politicians. The Jerusalem Foundation, for example, was established by the mayor of Jerusalem, who controls it, as a means of avoiding governmental spending constraints. Funds are solicited to finance projects which had previously been rejected by voters, such as swimming pools, sports stadiums to be used on the Sabbath, archeological excavations, art studies, and numerous others. The Jerusalem Foundation is also subsidized by the national government.

In summary, the off-budget activities of government corporations have ominous implications for the Israeli taxpayer. A huge portion of the nation's resources are allocated by various public managers who are isolated from any electoral constraints. The fact that the Histadrut alone owns over 2,000 corporations which produce 20 percent of NNP implies that the off-budget public sector in Israel is not likely to be diminished and will confound any attempts to reduce the burden of taxation in Israel, which is the highest of all "democratic" countries in the world.

This brief survey of off-budget operations in various nations is suggestive of the size and scope of the problem, but certainly not exhaustive. Such entities exist in France and Italy as well as other developed nations. Even underdeveloped countries have adopted this form of "shadow government" to achieve political goals. The problem of assessing the extent of off-budget operations is due, in large part, from the desire of politicians to shield the spending, borrowing, and employment of the public sector from the prying of constituents and voter/taxpayers. Precisely for this reason, it is essential that futher research be directed toward the analysis of the operation of off-budget enterprises and their economic and political implications.

Summary and Conclusions

Advocates of tax and expenditure limitation requirements in general, and of a balanced budget amendment in particular are likely to be disappointed should these goals be pursued successfully. For decades, federal politicians have engaged in off-budget operations which have led to gross understatement of the true size and scope of government. Even the mildest form of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

budgetary discipline such as that imposed on Congress by the Congressional Budget and Impoundment Act of 1974 stimulated a huge surge in off-budget federal spending. As history indicates, a balanced budget amendment is sure to yield more of the same as long as federal politicians can continually redefine the budget.

The phenomenon of off-budget enterprise is not restricted to the U.S., but is a characteristic of many democratic governments throughout the world, and is very prevalent in Great Britain, Japan, and Israel. These off-budget activities are likely to confound any attempts by voters to reduce the rate of growth of government spending and taxation.

FOOTNOTES

(1) For a detailed discussion of these principles see Buchanan and Wagner (1977).

(2) See John Maynard Keynes (1930).

(3) For a survey of citizen attitudes towards government see Citrin (1978).

(4) Cited in Mosher and Poland (1964).

(5) Revenue bonds, unlike "general obligation bonds," are not backed by taxing powers of the governmental jurisdiction which issues them, nor do they require voter approval. They are serviced largely from user fees derived from the project to be financed and are not included in the debt statistics of sponsoring governments. OBEs which issue revenue bonds have also been heavily subsidized by "regular" units of government.

(6) See Walsh (1980).

(7) See Dun and Bradstreet Co. (1981).

(8) Walsh (1980) describes the organizational structure of OBEs which she refers to as "public authorities."

(9) Message from the President of the United States, H.R. Doc. No. 84 Congress, 1st Sess. 3(1955) as quoted in Morris (1958).

(10) See Walsh (1980), p. 109.

(11) Rowland R. Hughes, speech to a conference of the National Association of Bank Auditors and Controllers, New York, December 7, 1954, as cited in Walsh (1980, p. 29).

(12) See Murray Weidenbaum (1981).

(13) For a detailed discussion of the Act, see Allen Schick (1980).

(14) As cited in Buchanan and Wagner (1977), p. 156.

(15) For a description of FFB activities see U.S. Congressional Budget Office (1979).

(16) See Walsh (1980) for a discussion of the Port of London Authority.

(17) This discussion is based on Holland (1978).

(18) See Pritchett (1981).

(19) John Burton (1981) explains how and why the Thatcher government has failed in constraining the growth of government spending and taxation in Great Britain.

(20) This discussion is based on the work of Johnson (1978).

(21) See Sharkansky (1979) for a discussion of off-budget enterprise in Israel.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

REFERENCES

Buchanan, J.M. and R.E. Wagner
1977 *Democracy in Deficit: The Political Legacy of Lord Keynes* New York: Academic Press, 1977.

Burton, John
1981 *The Thatcher Experiment: A Requiem?* Research Mongraph, Number 1, *Journal of Labor Research*, August 1981.

Citrin, Jacob
1978 "The Alienated Voter," *Taxing and Spending*, October/November 1978, pp. 7-11.

Dun and Bradstreet Co.
1981 *Moody's Municipal and Government Manual*, New York: Dun and Bradstreet, 1981.

Holland, Phillip
1978 *The Quango Explosion*, London: Conservative Political Centre, 1978.

Johnson, Chalmers
1978 *Japan's Public Policy Companies*, Washington, D.C.: American Enterprise Institute, 1978.

Keynes, John Maynard
1930 *Treatise on Money*, Cambridge: University Press, 1930.

Morris, Robert C.
1958 "Evading Debt Limitations with Public Building Authorities: The Costly Subversion of State Constitutions," *Yale Law Journal*, December 1958, pp. 234-268.

Mosher, F.C. and O.F. Poland
1964 *The Costs of American Government*, New York: Dodd, Mead & Co:, 1964.

Pritchett, Oliver
1981 "How to Survive the 'Quango' Hunting Season," *Sunday Telegraph*, May 24, 1981.

Schick, Allen
1980 *Congress and Money*, Washington, D.C.: The Urban Institute, 1980.

Sharkansky, Ira
1979 *Wither the State?* Chatham: Chatham House Publishers, 1979.

U.S. Congressional Budget Office
1978 *Loan Guarantees: Current Concerns and Alternatives for Control*, Washington, D.C.: CBO, January 23, 1978.

Walsh, Annmarie
1980 *The Public's Business: The Politics and Practices of Government Corporations*, Cambridge: MIT Press, 1980.

Weidenbaum, Murray
1981 "Controlling Federal Credit Programs," paper presented to the House Subcommittee on Economic Stabilization of the Committee on Banking, Finance, and Urban Affairs, April 30, 1981.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

JOURNAL OF LABOR RESEARCH

Volume II **Fall, 1981** **Number 2**

SYMPOSIUM: UNION USE OF EMPLOYEE PENSION FUNDS

Union Use of Employee Pension Funds: Introduction and Overview — *James Bennett and Manuel Johnson*

Union Divergent Investing of Pensions: A Power, Non-Employee Relations Issue — *James Northrup and Herbert Northrup*

Comments: *Don Bellante / John Raisian*

Nontraditional Criteria for Investing Pension Assets: An Economic Appraisal — *James Barth and Joseph Cordes*

Comments: *Stuart Dorsey / George Iden / Donald Martin*

Have Pension Investment Managers Overemphasized the Needs of Retirees? — *Roy Schotland*

Comment: *Thomas Robinson*

Unions, Pensions, and Financial Responsibility: The British Experience — *Paul Johnson*

Comments: *Edwin Harwood / Dan Heldman*

ARTICLES

Patterns and Determinants of Union Growth in the Hospital Industry — *Brian Becker and Richard Miller*

The Effects of Union Membership on Absence from Work Due to Illness — *Paul Leigh*

Labor Market Adjustments in the Unionized Contract Construction Industry — *Jeffrey Perloff*

The Union Wage Effect in Canadian Manufacturing Industries — *Sandra Christensen and Dennis Maki*

Collective Bargaining, Compulsory Arbitration, and Salary Settlements in the Public Sector: The Case of New Jersey's Police Officers — *David Bloom*

Male-Female Earnings Differentials: A Critical Reappraisal — *Walter Block and Walter Williams*

The Extent of the Closed Shop in Britain — *Charles Hanson and Helen Jackson*

BOOK REVIEWS: Morley Gunderson / Charles Greer

The **Journal of Labor Research** is published semiannually (quarterly, starting in 1982) in the Spring and Fall of each year by the Department of Economics of George Mason University. Subscriptions are on a calendar year basis and subscribers will receive all issues for the current year. Annual subscription rates for 1982 are: individuals, $25.00; academic libraries, institutions, government agencies, and business firms, $47.00. Foreign subscribers add $3.50 to cover additional postage. All remittances should be made payable to **Journal of Labor Research**, Department of Economics, George Mason University, Fairfax, Virginia 22030.

Editorial correspondence and manuscripts should be sent to James T. Bennett, Editor, Journal of Labor Research, Department of Economics, George Mason University, Fairfax, VA 22030. Manuscripts should be submitted in triplicate with a 100 word abstract. A submission fee of $20.00 for nonsubscribers must accompany manuscripts. Papers accepted for publication must *conform to JLR style requirements; style sheet available on request.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

UNIONIZATION AND EDUCATION: LESSONS FROM THE ILLINOIS SCHOOLROOMS

By John B. Parrish

Introduction

Few would quarrel with the statement that "the school as an institution is under fire as never before in modern memory."[1] Public education across the nation has been in turmoil, disruption, and conflict for the last decade and a half.

To a significant degree, what has happened through the country has also occurred in Illinois and, accordingly, Illinois will be taken as an instructive microcosm of the larger problems, issues, and developments.

It is not suggested that the turmoil in public education is necessarily unique or unfelt by other institutions in society; indeed, it is both pervasive and well-known. Such matters as racial integration, violence, reduced public trust regarding the operations of government, rapid changes in demographic factors, inflation, a decline in attention to quality, and the like invade almost every facet of our lives. Yet it is hardly an overstatement that all of these simultaneously and collectively have been eroding the tradional firm foundations of the American public school system and that few other institutions have had the dubious distinction of being gradually overwhelmed by so many disparate challenges.

While each problem has evidenced itself in and affected our schools in highly particularistic ways, what really sets the educational arena apart is the fact that, added to these undoubtedly serious and perhaps even intractable sources of turmoil, the educational system has increasingly faced a concerted effort on the part of teacher unions to wrest from the public its control over the nation's schools. This new and disturbing development is shared to some extent by other public agencies as the natural operation of public sector collective bargaining, with its inevitable political penumbra, has become more and more an accepted practice. But it seems defensible to argue that public education has been, and will likely continue to be, a bellwether for the

1. *The Libertarian Review* (December 1978), p. 25.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

general public sector. After all, teachers were among the first public employees to unionize, education was one of the first segments of the public sector to achieve state legislation permitting collective bargaining (in some states it was the *only* segment to enjoy this privilege), and education has become one of the most highly unionized public employment fields.

Yes, schools are "under fire," not simply because busing runs counter to American traditions and public opinion,[2] because classrooms have turned into battlefields,[3] because citizens, parents and teachers have lost confidence in one another,[4] because enrollment rose tremendously until the early 1970's and then began dropping precipitously thereafter,[5] nor because costs are spiraling,[6] educational philosophy has been overtaken by numerous ill-advised fads,[7] and private schools have emerged as serious competitors with the public system.[8] These are facts, but each has been exacerbated by the growing public perception that the educational system does not serve the interests of students, parents, citizens, the integrity of the next generation, the social stability of the country, or public order. Instead, through the disciplined application of political power, teacher unions in Illinois as well as throughout the country have sought successfully to determine who teaches, what is taught, how much is spent, who shall be taught and how, and in fact whether

2. Louis Henri Bolce, III and Susan H. Gray, "Blacks, Whites, and Race Politics," *The Public Interest*, No. 54 (Winter 1979), pp. 61-75.

3. *American Teacher*, Vol. 62, No. 6 (March, 1978), pp. 6-8; Marguerite Michaels, "Our Nation's Teachers Are Taking a Beating," *Parade* (February 26, 1978), pp. 6-7.

4. George Gallup, "The 10th Annual Gallup Pole of the Public's Attitude Toward the Public Schools," *Phi Delta Kappa*, Vol. 60, No. 1 (September, 1978), pp. 36-45; "Update," *Advocate* (Illinois Education Association), October 1976; Bruce T. Stoneback, "Letter to the Editor," *Nation's Business* (July, 1978), p. 9.

5. *The Condition of Education*, National Center for Education Statistics, U.S. Department of Health, Education and Welfare (Washington, D.C.: GPO, 1978), p. 30.

6. *Declining Enrollments: The Challenge of the Coming Decades*, The National Institute of Education, U.S. Department of Health, Education and Welfare (Washington, D.C.: GPO, March, 1978), p. 32.

7. Paul Copperman, *The Literacy Hoax* (New York: William Morrow and Sons, 1978).

8. Anthony Ramirez, "No Nonsense Schools with Christian Ties — Tilt with Bureaucrats," *Wall Street Journal* (December 7, 1971), p. 1; *Wall Street Journal* (February 15, 1979), p. 1.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

teaching will occur at all. These essentially private organizations have been able to insinuate themselves into the political and administrative processes of government with the intention of operating the school system to their exclusive benefit as teachers and unionists.

Assembling and presenting the evidence supporting this contention is the purpose of the present analysis. This was not a predetermined conclusion but one which emerged ineluctably from the sources and data consulted. It was and is intensely disturbing because education is the jugular vein of every society. As one of the chief mechanisms by which a society perpetuates itself through the transmission of culture and ideas of propriety, in addition to essential knowledge, education is a critical function: the question of who controls its structure and policies has always been a hotly debated issue.

The American tradition involved an answer to that issue which was unique in human history. For over two hundred years, how this country resolved the question of who should control education produced a remarkable breakthrough in liberty, stability, equal opportunity, and technical innovation. Today, that record is in serious jeopardy.

SECTION II

General Background

It is well-recorded that the presently existing education unions had their origins in organizations formed exclusively for the purpose of tending to professional concerns.

We shall not attempt here any definition of "professional" or "professionalism" except to rely upon the common sense notion that professional concerns have to do with standards of conduct in the performance of whatever activities constitute the profession. In education, it is teaching. A profession differs from a trade in that the former normally requires longer or more advanced training: also, professional codes of conduct are largely self-imposed and are created by consensus from within the body of practioners (even where outside agencies, e.g., the government, are involved, the actual regulators are usually recognized members of the profession). Finally, the difference may also be thought of as a matter of self-image.

In all cases, designation as a profession carries with it the tra-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ditional implication that, while the practitioner is a person who must eat, be sheltered, and have other necessities of life, the emphasis is not on compensation but on service. The professional engages in certain activities beneficial to the community at large (even where those services are in fact provided almost solely to individuals), and the community in turn expresses its appreciation by providing either the necessities of life directly or payments with which those necessities could be bought.

While medicine and law developed various fee structures at an early stage, members of other professions usually were supported by offerings and donations. There was the strong feeling that professionals would engage in their activities whether paid or not because of a sense of or desire for service to the community.

However odd or quaint these notions may seem now, they were the controlling factors in the origins of our modern professions – and in none more so than in education. On the organizational side, both the National Education Association (formed in 1870) and the American Federation of Teachers (formed in 1916) were created by professionals to explore the nature of teaching and the education process. Though the AFT quickly affiliated itself with the then-existing national federation of craft unions (the AF of L), it joined with the NEA in rejecting the usual characteristics of unionism. By and large, both organizations remained in this mold until, roughly, 1960.

In that year, a teachers' group was formed in New York City as an AFT affiliate. It claimed that its members favored collective bargaining and, following protracted negotiations, it went on strike in defiance of state laws as well as a court injunction. The strike was successful. The AFT New York local was granted recognition and all penalties were dropped. This stunningly effective shift in just three years to traditional unionism caused the national AFT leadership to reverse its policies and this, in turn, began to pull the generally more traditionally-minded NEA along the same path. By 1967, the NEA had arrived at full endorsement of the strike.

Along with this transition, both organizations experienced massive increases in membership. From the early sixties to the mid-seventies, the AFT went from about 70,000 to nearly a half million while the NEA jumped from slightly less than a million to about two million. Excluding overlapping memberships, this would put the total number of unionized teachers at around

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

2.3 million in 1976.

While the causes of these two parallel developments have not been fully explored yet, it seems safe to suggest that membership increases were caused in part by burgeoning enrollments in the fifties, producing a massive demand for more teachers, coupled with aggressive organizing drives by the NEA and AFT in the sixties. Inevitably, both the initial excess demand and the following surplus had the expected economic consequences: at first, education expenditures were rising so rapidly that they outstripped the local taxing ability and, then, about the time the tax base was catching up, the surplus of teachers produced a salary-depressing competition for jobs. As all this was occurring, and in part *because* it was occurring, government at both the federal and state levels was providing a more congenial framework for public employee unionism through permissive legislation or executive orders.

Ironically, it was the NEA that moved faster and farther along the path to full unionism. Though the AFT had more and earlier ties with the union movement, the NEA accelerated from it relatively more professional stance to its present reputation as an organization that, in many respects, "out-unions" the AFL-CIO federation affiliated AFT. Indeed, we may say that the NEA has moved even beyond unionism of the traditional American sort to become a curious admixture of union and political party. For some years, attempts to merge the two organizations have consistently foundered on the NEA's unwillingness to countenance even an indirect relationship to a union federation which is seen as overly conservative by the current NEA leadership, and on the AFT's unwillingness to become enmeshed in what is seen as the NEA's avant-garde brand of politics and its flirtation with various radical social policies.

Through all this, it seems evident that both leaderships, and particularly that of the NEA, have pulled their members along with them and that their new directions have been opposed by fairly articulate internal minorities, if not by an inarticulate absolute majority of members.

Being the considerably larger of the two and, as we have observed, also the more activist, the NEA in effect defines the education union movement.[9] Its goals may therefore be taken

9. We shall ignore for purposes of this analysis the American Association of University Professors (AAUP) which is by every measure the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as indicative of what may be ahead for the American educational system. A close reading of the NEA's policy statements, resolutions, publications, and leadership speeches produces the following list of principal objectives:

1. Become the single most powerful political force in the nation.[10]
2. Shift control over the public schools from local citizens to the federal government.[11]
3. Obtain a separate, Cabinet-level Department of Education.[12]
4. Impose compulsory unionism on teachers.[13]
5. Raise more and more political money.[14]
6. Defeat taxpayer efforts to limit government spending.[15]
7. Prevent minimum competency testing of students and teachers.[16]
8. Exclude parents from decisions about the school system.[17]
9. Promote a governmentally-controlled welfare state.[18]
10. Obtain union control over public education.[19]
11. Prevent teacher layoffs despite declining enrollments.
12. Raise average starting teachers salaries to $15,000 a year.

smallest, as well as the most restricted, of the three. The AAUP has also been pressured into a union mold.

10. Terry Herndon (NEA Executive Director), *Proceedings,* NEA 114th Annual Meeting (Miami Beach, 1976).

11. IEA *Advocate* (June, 1976), p. 16.

12. *U.S. News and World Report* (February 13, 1978), p. 92; UPI news release, *State-Journal-Register* (Springfield, Illinois; September 25, 1978), p. 16.

13. IEA *Advocate* (October, 1978).

14. *Ibid.*

15. *Taxing and Spending* (October-November, 1978), p. 3.

16. *Human Events* (July 15, 1978), p. 2.

17. IEA *Advocate* (November, 1978), p. 5.

18. *A Working Economy for Americans* (Washington, D.C.: Working Economy, 1977): this document was sponsored by the NEA and a dozen other unions and allied organizations.

19. NEA news release, 108th Annual Convention (San Francisco, July 3, 1976); *Washington Star* (September 20, 1972).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SECTION III

Illinois

The public education system in Illinois is big business. The basic statistics are revealing: 2.5 million school attendees in 1978 (14% in private, mostly church-related institutions), per pupil expenditures ranging from a low of $900 to a high of $3500, total public education costs of nearly $4 billion in 1978-79 (divided nearly equally as to source between local and state government, with about $300 million coming from federal agencies), and an inflation rate which will add $320 million to the budget in 1979-80.

The Illinois legislature has mandated many programs and activities: local school systems must offer them and undertake their costs in exchange for state funds. Thus, to the extent that what a school does is determined through the political process, it has become clear to interested pressure groups that they must develop political influence as an aid to affecting the content of education. A prime example of this, and a telling indication of the relative power of unions versus "business" in Illinois, is the fact that, hidden in an innocuous list of state-mandated secondary level courses, "labor unions" appears as a required subject. The 80th General Assembly, dominated by unions as we shall show later, added this topic; yet one looks in vain for any required instruction in economics, business, free enterprise, or the like.

Needless to say, there are also in Illinois (as elsewhere) a large and growing number of similar educational and "special" programs mandated by federal statutes and regulations — thus demonstrating once again to teacher unions the potential harvest to be reaped by acquiring political power. The dilemma in Illinois (as elsewhere) regarding these federal programs is well exemplified by the "Education for All Handicapped Children Act" (1975): $20 million in additional federal funds were provided to Illinois for this program (it had to be incorporated by the state to qualify for *other* federal education money), but the state's Superintendent of Schools has estimated that the program will actually cost $60 million, i.e., $40 million in *new* money from state and/or local tax funds.[20] A Commission ap-

20. *Chicago Tribune* (November 6, 1978). For additional information on local district and state education problems stemming from federal

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pointed by the Governor concluded that the legislature had gone too far in imposing costly mandated programs without providing either an adequate educational rationale or adequate funding.[21]

That control over schools has shifted away from the citizens of Illinois is undisputed. Both the appearance of mandated programs and the loss of local fiscal controls attest to it. Whereas in 1966-67 the school system was financed 69% by local money and 25% from the state, figures for 1978-79 show that the proportions provided by these sources are virtually equal (federal funds having remained a roughly constant percentage).[22]

The political complexities of school funding are numerous and provide some insight into the potential role of the teacher unions. Since the early 1920's, Illinois has used a distribution formula designed to equalize or provide a floor on per pupil expenditures by school district. While that formula has been revised often since its inception, generally moving the "floor" upward, it was significantly altered in 1973 by the introduction of an "add on" based on several "weighting" criteria. Not surprisingly, a major criteria for an "add on" was density: poor school districts with many pupils also have many, poorly paid teachers.[23] Nor is it surprising that the Illinois units of the NEA and AFT lobbied strongly for this formula and for further upward revisions in its benefits in the years since 1973.

Historically, Illinois schools have been funded largely by local property taxes,[24] with state and federal funding providing only inconsequential proportions prior to 1960. Even as late as 1964-65, local property taxes generated 70% of total school revenues. Needless to say, of course, there are numerous and increasing demands upon these funds from government activities other than education. Accordingly, the combination of state-mandated school programs and teacher union demands at the

funding, see Joe S. Berke, "The Politics of Education," *The Wilson Quarterly* (Autumn, 1979), p. 115.

21. *Report of the Governor's Commission on State Mandated Programs* (mimeo), Spring 1978.

22. Illinois Office of Education, *State, Local and Federal Financing for Illinois Public Schools, 1977-78* (Revised Edition; Springfield: 1977), pp. 4 and 10E.

23. Joyce E. Kustra, "State Aid to Schools," *Illinois Issues*, Vol. III, No. 6 (June, 1977), pp. 4-8.

24. David V. May, "Property Tax for Public Schools," *Illinois Issues*, Vol. III, No. 10 (October, 1977), pp. 10-13.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

local level puts an effective limit on a great number of local government activities outside the field of education and virtually insures that citizens will pay the maximum taxes as determined by rates and assessment levels.

The extortion process continues unabated. Even taking into account inflation, the average Illinois citizen spent (through compulsory taxation) 44.7% more of his disposable income for schools in 1972 than he did in 1966.[25]

For those who favor increased spending on education (which goes primarily into personnel salaries), and this includes most teacher union officials, the local property tax is not a favored method of funding because its pressure is felt directly and immediately by citizens. Moreover, the political decisions as to tax rates and assessment policies are made almost exclusively at the local level. Far more to be preferred would be some funding system which removes these political decisions to a more distant arena — one which would be simultaneously more inaccessible to the ordinary citizen while more responsive to pressures from organized teacher interests.

The need for such a change, in the view of teacher union officials, is both great and imminent. Citizens have shown a disconcerting tendency in recent years to exercise their sovereign power to control local spending. The rejection rate for school bond issues has increased from 25% in 1969-70 to 34% in 1977-78 (following a nine year high of 53% in 1974-75): bond issues, it will be noted, are used primarily to finance new or improved physical plants. Taxpayers have been even more critical of proposals to finance increased personnel costs: the rejection rate for requests to increase property tax levels has always been greater, ranging from a low of 49% in 1969-70 to a high of 79% in 1971-72 with 63% in 1977-78.

While not a complete explanation for the above, it is quite likely that taxpayers have reacted negatively to proposals for more school funds because they have become aware of the fact that the number of children in the school system has been declining absolutely since 1971-72. In 1978-79, there were more than a quarter million fewer children in Illinois schools than there were in 1971-72. Yet, despite this aggregate 11% drop in pupils, the number of teachers actually increased slightly during the seven year period prior to 1978-79 (though down

25. *Ibid.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

from an all-time high in 1975-76).[26] Moreover, the personnel "mix" has changed in ways which seem suspiciously wasteful to taxpayers. From 1970 to 1974, the number of those actively teaching dropped .67% while "special" teachers and supporting staff increased 61.5% and administrators rose by 9%[27].

Finally, the total "burden" upon the individual teacher, as measured by class size, has also been declining – from 21.9 pupils per teacher in 1970-71 to 19.2 per teacher in 1978-79, a 12.3% drop. At the same time, the total expenditures for the state's public schools have been rising at a rate of $200 million per year since 1965-66 ($60 million per year in constant 1967 dollars). Per pupil costs (in constant dollars) more than doubled.[28]

Thus, despite the best efforts of local citizens to hold school spending down, fewer children are being "processed" by more educational employees (including more non-teaching personnel) in smaller classes at a greater cost. The only wonder is that the public has not been even more insistent upon rejecting higher school funding proposals: we must assume that education still retains a positive public opinion in the face of these developments.

How did Illinois reach such a perplexing combination of situations? The answer may be found in the difference between two periods in our history. From roughly 1950 to 1970, the "baby boom" stemming from World War II had reached the schools and had produced clearly severe overcrowding. Many general social problems were believed to be amenable to education and this heightened the public's desire to see a better, more expanded educational system. The impact of Sputnik was particularly great because the sciences are notable for disproportionately expensive equipment and personnel. Also, it seemed at the time that these new expenditures would not really cost the taxpayer anything because national productivity (averaging then around 3% annually) would more than pay for them.

26. State Board of Education and Illinois Office of Education, *Fall Pupil Enrollment and Teacher Statistics* (Springfield, Ill.: various issues).

27. G. Alan Hickrod, *et al., Enrollment Change and Educational Personnel Change in the K-12 Schools of Illinois.* (Normal, Ill.: Illinois State University, March, 1976).

28. Illinois Office of Education, *Fewer Pupils, Rising Prices, and Mandated Programs – The Sticky Issue of the Cost of Education* (February, 1979).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Since 1970, however, the baby boom has worked its way through the schools and this generation seems little inclined to produce a new one. The country has struggled to achieve even a 1% increase in productivity. No event (equivalent to Sputnik) has occurred so far to highlight challenges to an increasingly uncertain American technological ascendency.

Yet schools in the country as a whole as well as in Illinois appeared to take little notice of these conditions. Indeed, developments in the seventies often tended to exacerbate instead of ameliorate the problem. Not only was there no indication that it was, perhaps, time to cut back the size of the establishment or to concentrate on excellence, but the schools took on more personnel at more cost with even less to show for their labors: the vaunted science programs of the sixties were not protecting U.S. preeminence in the seventies and, in fact, nationally standardized achievement scores were falling across the board by the middle of the decade.

The explanation seems to be that the seventies have been a decade in which professional organizations for teachers (especially the National Education Association) became unions in all but name and began to reach for political and economic power. The IEA (NEA's state affiliate) became the single most potent force in state-level politics: Illinois legislators, beholden to this group, responded by approving what the IEA wanted.

It would be a mistake to misconstrue the web of relationships among the various levels of the IEA, the levels of the educational system, and the connections between the IEA and the system. For example, teacher unions exercise their economic power at the local school level and their political power in government at the state level; but the local school system has also become increasingly dependent upon state government. Thus, while union economic power has been significant in winning major raises in salary and fringe benefits through its strike threat, the IEA's political power has protected and augmented its local position.

It would also be a mistake to underestimate this economic power. The public generally looks only to notices regarding basic salary increases expressed as a percentage. By this measure, new contracts announced at, say, 5%, sound as though teachers are not even keeping up with inflation. Yet such a conclusion could be grossly misleading. No one has yet made a careful study of the total annual real gains of teachers under

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unionized collective bargaining, inlcuding the value of fringe benefits. It would be reasonable to estimate that, with automatic escalators, fringes paid totally or partially by the school district, step increases based on longevity, add-ons for advanced course work (often paid for by the school district), and so forth, the actual percentage has probably been closer to 8-12%. And, though it has become somewhat trite to note this, teacher salaries are paid for a school day and a school year which often permit (even encourage) the working of other jobs.

Teacher union political power is felt at the national and state levels in a variety of ways, usually for purposes designed to assure that more personnel handle fewer students at a greater cost with fewer grass-roots restrictions. One need only consider the ever larger volume of federal legislation regarding educational programs to understand the consequences of the effective use of political power. At the state level, the teacher unions have aimed for programs of a parallel nature, for acceptance of federal funds, for reductions in personnel which concentrate on the low seniority instructional staff, and for increasingly lucrative retirement and welfare fringes.

One of the most frequently overlooked, though expensive developments abetted by teacher union power is the matter of absenteeism. Paid sick leave and other forms of paid released time have obvious programmatic and humanitarian purposes. But how does one interpret a research finding that "the highest rate of absenteeism occurs the day before and the day after the weekend"? Not only are schools costs raised when substitute teachers must be found and paid, but the quality of teaching received by students drops drastically. Nor are these costs inconsequential by any means: "in 1971-72, New York City alone was spending $71.5 million or nearly 9% of the total teacher salary costs just for substitute teachers." [29]

SECTION IV

The Law and Teacher Bargaining in Illinois

Despite the annual introduction of bills which would change the situation, Illinois remains one of only about ten states

29. Donald C. Manlove and Peggy Elliott, "Absent Teachers...Another Handicap for Students?," *The Practitioner*, Vol. 5, No. 4 (May, 1978), pp. 2-5.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which have no statutory framework for public sector collective bargaining. Unlike the others in the same situation, however, Illinois is one of the top-ranked industrial states, highly unionized, and possessed of a large public sector. Though this might seem to make the state an anomaly, the explanation is not at all mysterious.

First and foremost has been the solid opposition from the Chicago Democratic organization dominated for many years by the late Mayor Richard Daley. The Daley city machine, which protected its power through its influence in the state capitol, preferred to deal without external hindrance directly with its municipal unions. This permitted Daley to fill numerous jobs based on patronage and the Mayor repaid the favor with some of the highest wage levels in the nation. The Chicago machine has outlived its founder: its opposition to a state bargaining law for public employees is still led by the late Mayor's son, State Senator Daley, Jr., and by Cook County Democratic Chairman George Dunn.[30]

Local governments and even some of their unions have also opposed a state-level law on the subject because many localities set their public sector salaries according to the prevailing private sector salaries. As one commentator has noted, there is little reason to push for a formal law when many local public employees "get the same as the private enterprise employees without having to negotiate a contract. The prevailing wage arrangements have split union solidarity."[31]

In the absence of a statutory framework, collective bargaining and related phenomena (e.g., strikes) have nevertheless developed in the public sector over the past forty years. Unions are recognized by public agencies and numerous contracts are negotiated, all without much legal challenge so long as the relationship remained peaceful. One survey determined that 47.3% of all local employees (59.4% of school district personnel) in the state were organized in 1975.[32] This does not, of course, translate into union membership because the number of employees organized includes an unknown number of nonmem-

30. John Rehfuss, "Is Collective Bargaining a Good Bargain?," *Illinois Issues*, Vol. IV, No. 4 (April, 1978), pp. 18-22.

31. Lex Peterson, "No Hindrance from Lack of Collective Bargaining Law," *News-Gazette* (Champaign/Urbana), February 9, 1979.

32. U.S. Census Bureau, *Labor Management Relations in State and Local Governments*, 1975 (Washington, D.C.: GPO, 1977), p. 12.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bers, while other members elsewhere in the state may not be working under a union contract.

The courts have provided a legal framework of sorts by ruling at one time or another that public employees have the right to join a union, that local government agencies may recognize and negotiate with a union, that local agencies may enter into grievance arbitration procedures with unions, and that local agencies can prohibit union representation of persons in some employment categories (e.g., professionals and supervisors). Public sector bargaining on the state (as opposed to local) level is controlled by a 1973 Executive Order issue by Governor Dan Walker.

Public sector strikes in Illinois are illegal. In this the state follows the formal practice of 43 other states.[33] Basing its decisions on the common law, the Illinois Supreme Court has upheld this conclusion unambiguously and the issuance of an injunction has become fairly common (about half of all strikes participated in by the Illinois Federation of Teachers over the laws 18 years were enjoined).[34] At the same time, however, it must be noted that, if no penalties are exacted against those who call or participate in a strike, the illegality of the strike is effectively cancelled. Not surprisingly, teacher unions apply considerable political and economic efforts toward the election of public officials who will, for whatever reasons may be given publicly, decide not to seek a strike injunction, who decide not to request or enforce available penalties, or who agree to "amnesty" as one condition for ending a strike.

SECTION V

The Teacher Organizations

As in the case nationally, two major teacher organizations exist in Illinois, each affiliated with one of the two leading teacher organizations in the United States. Aside from the Illinois Education Association (part of the NEA) and the Illinois Federation of Teachers (part of the AFT and, through it, of the AFL-CIO), there are a few small locals which are either indepen-

33. *Christian Science Monitor* (September 18, 1978), p. 10.

34. Oscar Weil, "The Right to Stike: Yes," *Illinois Issues* Annual Issue (1977-78), p. 101.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dent or affiliated with both organizations – plus the Chicago Archdiocesan Teachers' Association whose size is unknown.

The IEA began as the Illinois State Teachers' Institute in 1853 in Bloomington. Its character, roughly parallel with that of the parent NEA, remained strictly professional in orientation and programs until about 1970 when it entered a four-year period of traumatic upheaval. The "strict professionals" were outvoted after a bitter struggle and the "strict unionists" won out. Thereafter, the IEA's policies shifted to unionism and political activity, conducted through a newly created field staff. The IEA controls about 75% of all teacher union locals in the state, only about 46% of which however have written contracts.[35]

The IFT's largest component, the Chicago Teachers' Union, was founded in 1897 with an initial focus on elementary teachers. The Chicago federation was also the first union to obtain recognition in a major American city (1939).

Figures on membership and extent of union organizing regarding these two organizations are extremely unreliable, owing in no small part to the decades of competition between them on the state and national levels: this competition has, in turn, produced decades of membership and organizing strength claims from both groups which, if viewed only in terms of their manifold internal and mutual inconsistencies, must be considered largely as elements in their reciprocal propaganda war. Definitions of "member" differ, not only between the organizations but over time as well. But a careful inspection of all the facts and circumstances of published data on membership supports the conclusion that the IEA's size has declined since its peak in 1973 while the IFT's has increased.

Looking further, however, we suggest that these two trends are not really opposite. Since the early seventies, the IEA's membership has, in a sense, been purged. With the transformation into full-blown unionism, many teachers who joined in the sixties because "it was the professional thing to do" left the IEA: their numbers were partially replace by (usually) younger teachers who were more committed to the new "organizational" goals. The IFT, on the other hand, has always had a

35. Ronald R. Booth and Milton Carlson, *Collective Bargaining in Illinois Schools, 1974-75; Vol. I, Current Status* (Springfield, Ill.: IASB, May, 1975), p. 2.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

union "image" and hence it experienced no similar "wrench." Thus the number of "union members" may fairly be said to have increased in *both* organizations. At the same time, the IFT has moved in recent years more than has the IEA into organizing educational support personnel, so it is not clear exactly how each organization compares with the other as regards *regular* teacher membership.

Yet even the stark membership data do not convey a sufficient picture of teacher unionization for they do not show the distribution of that membership. As a matter of fact, union power and influence in Illinois are enhanced by the concentration of organization in the big city schools. In 1978-79, 72% of all teachers were under a union contract but only 42% of the state's school districts had such a contract.

While the rhetoric, militancy, political pressure, electoral activity, and strike behavior of the two Illinois teacher unions have been increasing dramatically, it is somewhat interesting to note that this has not been at all matched by what most would term the typical indicator of success. The percentage of school districts reporting negotiated agreements has risen only slowly from 40% in 1973-74 to 44% in 1978-79. Even this slight change may be explained in part by the district consolidations which took place during this period. Yet, as in the case of percentage of teachers organized, there is a definite pattern to where formal contracts have been signed with the overwhelming number of them being found in the big school districts. In the very top category for example, districts with an average daily pupil attendance of 12,000 or more, 100% of the teachers are controlled by union agreements.[36]

There is also a very fascinating pattern in regard to this matter between the two teacher unions. Although the IEA controls nearly 80% of all teacher-locals, only 46% of them have a written agreement, the IFT, on the other hand, controls about a third of the teachers but 80% of its locals have written contracts. Moreover, the number of teachers covered by IEA contracts has declined by about 5,000 since 1975-76, while the number covered by IFT contracts has risen slightly. Similarly, the number of school districts having IEA contracts declined

36. State Board of Education and Illinois Office of Education, *Illinois Teachers Salary Schedule and Policy Study, 1978-79* (Springfield, Illinois: 1979), p. 11.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

by 10 while IFT districts rose by 20 during the same period.

Whatever may be said about the spread of collective bargaining among Illinois school districts, one fact stands out clearly — the process has become more intrusive. An ever-increasing number of issues have come within the scope of bargaining. A recent study of 45 decisions made by school management found that teachers were involved in roughly two-thirds of them (31). In 17 of the 45 decisions, prior approval by the teacher union was required.[37]

Not only were teacher unions considerably more involved in approving or vetoing school management decisions, but it also appears that these locals have increasingly been assisted by outside personnel supplied by the state or national teacher organizations. In 1976-77, such outside assistance was supplied to locals in 85% of all school districts: in 17% of the districts, bargaining was not even conducted by local union people (compared, incidentally, to the 11% of school boards employing professional negotiators).[38]

And this bargaining has become much more expensive. The subject of how much the *process* of collective bargaining costs (as distinct, for example, from the cost of bargaining *outcomes*) has not been researched to any significant degree. It has been suggested that bargaining in the California public schools could cost as much as $60 million annually. A new study by Paul Gerhart of Case Western Reserve determined that a minimum of $166,000 per year was spent by four cities (sizes ranging from 33,000 to 104,000 population) on the collective bargaining process.[39]

The Illinois Association of School Boards has estimated that an average of $6,000 per district was spent to support the bargaining process in 1976-77, not counting the value of an average of 217 hours of manager-time devoted to negotiating per district.[40]

Of course, the primary technique for applying both economic

37. Ronald R. Booth and Milton Carlson, *How Collective Bargaining Affects Decision Making in Illinois, 1974-75* (Illinois Association of School Boards; November, 1975), p. 8.

38. *Ibid.*

39. Dan C. Heldman, "Making Policy in a Vacuum: The Case of Labor Relations," *Policy Review*, No. 10 (Fall, 1979), pp. 86-87.

40. IASB, *Collective Bargaining in Illinois Schools, 1976-77* (Springfield, Illinois: June, 1977).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and political power at the local and state levels (aside from direct campaign assistance to candidates) is the strike. While it should be kept in mind that the most *efficient* strike is one which never takes place but is merely threatened, the record clearly indicates that teacher unions in Illinois have been using the strike weapon to a growing degree – much more so than any other category of public employees in the state. From 1959 to 1965, few strikes occurred, few teachers were involved, and the "worst" year saw a mere 8,535 man-days of lost time. During this same period, teacher strikes accounted for an average of 27% of the lost worktime due to *all* public employee strikes. During the eleven years from 1966 onward, the average number of teacher strikes per year was fifteen times greater than in the 1959-65 period, the number of teachers involved was in excess of 20,000 in four of those years, and three times the man-days lost exceeded 100,000. Compared to other public employees, teacher strikes averaged 64% of *all* man-days lost through public sector strikes.

This clear-cut record of militancy – undeniable since 1965, growing, spreading, and outstripping the record of any other category of public employer in the state – must be nailed directly to the doors of the two teacher unions. Subsidiary factors undoubtedly include such developments as inflation and broader scope of bargaining, but they are normally irritants, not causes. The truth of the matter is that teachers can strike with no real loss to themselves: the school year is simply moved forward, lost time (by the calendar at least) is made up by dropping holidays and adding days at the end of the school year, and it has become almost an article of faith that court-imposed fines or penalties will never be assessed or will be "washed-out" in some general grant of "amnesty" when the srike is over. And there is no short-term alternative (perhaps no long-term alternative either) to a public school system that isn't functioning. Given this failure of will to impose any significant economic penalties upon strikes (to the extent, upon occasion, of even awarding welfare benefits to public sector strikers), it should come as no surprise that the militant teacher unions have taken advantage of the disorganization of both the public and its representatives.

Moreover, the tendency in the past ten years has been for some unknown but important proportion of the strikes which do occur or are successfully threatened to have been caused in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

large part by competition *between* the two teacher unions. In other words, the problem is not merely one of militancy on the part of a single union but additionally one of each competing union trying to outdo or score propaganda points against the other. An indication of this, and of the broader problem as well, was revealed in what came to be known as the "Saul Alinsky Affair." Alinsky was a radical advocate of what he called "people power" who developed programs and strategies of conflict, confrontation, and often violent action designed expressly to convince "the people" that the "establishment" was against them and that they must organize to achieve fundamental social changes. The NEA's midwest training consultant, Mr. M. Michael Arisman, published a report in 1972 specifically applying Alinsky's notions to the issue of teacher organizing strategy. Arisman denied that teachers should organize around "altruistic motives such as welfare of children or the good of education"; instead, the purpose was power and self-interest. Those who didn't want power would have it forced on them — or on their organizations. To train teacher leaders it was necessary to "set enough brush fires to keep them active and to keep the action going." If the new leaders were lucky, their credentials would be established through confrontations designed to produce insults or verbal assaults from "the other side." Teachers should not get too friendly with school officials, warned Arisman: this might lead to the solution of problems (without problems, where would confrontation come from?) but, more importantly, it "would not provide the kind of action that is exciting."[41]

The executive director of the IEA publicly stated that his organization believed in the philosophy and strategies created by Alinsky.

SECTION VI

Teacher Unions and Politics

It would be an understatement to describe the involvement of the teacher unions in politics, national and Illinois, as deep,

41. Reproduced and distributed in December of 1974 by the Illinois Association of School Boards (Springfield), mimeo, 11 pp.: a copy is in the author's possession.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

wide, and expanding. Yet, as with so many of the other dimensions of the conflict between the IEA and the IFT, each organization has developed its own pattern of political activity.

The IFT, for example, having substantial roots in Chicago, has allied itself with the Daley machine for many years. Endorsing and assisting legislative candidates from the city and the surrounding Cook County (the area traditionally known as "upstate Illinois"), the IFT has been able to exercise great influence upon this major segment of the state legislature.

NEA's affiliate, on the other hand, had allied itself with the state and local parent-teachers organizations for lobbying purposes until about 1970. During the ensuing three years of internal revolution, relations with the PTA became understandably strained and, eventually, the IEA evolved into an independent political force of sufficient size and strength to draw alliances to itself rather than having to seek them out. After listing a series of legislative demands in 1978, the President of the IEA called them simply the "end products of ever increasing IEA teacher involvement in politics." He went on to congratulate his group for having become "one of the most powerful political action organizations in the state" and for having achieved a "record of 80-90 percent wins at the polls . . . ." The end is not yet in sight because the IEA must "become more involved from the grassroots to the highest governmental offices."[42]

Where the IFT is locally strong, IEA has developed a machine which is even stronger, apart from blanketing the rest of the state. Accordingly, we shall look closer at the IEA to discover the sources of that power.

One measure of IEA's political effectiveness is the role of IPACE in various gubernatorial races. In 1972, for example, candidate Walker laid out the red carpet for IEA's political operatives. He won. Because Governor Walker later cut the state's budget in ways of which the IEA disapproved, IPACE withdrew its support in favor of candidate Thompson in the 1976 election. Thompson won. IPACE took full credit.[43]

The import of all this was not lost on Thompson. Though he had originally tried to hedge his bets by being generally warm toward organized labor without expressing support for some of IPACE's favorite legislative proposals, thus winning an

42. IEA *Advocate*, Vol. 13, No. 2 (October, 1978), p. 2.
43. *State-Register-Journal* (Springfield, Illinois), October 9, 1976.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

endorsement for his 1976-78 "interim" term, Thompson was forced to forgo the pleasures of fence-sitting in order to win full IPACE support in 1978. The specific price was a public statement favoring collective bargaining for public employees and, presumably, the right to strike – even though doing so was guaranteed to cost Thompson support from within his own party and from Chicago City Hall.[44] Thompson sweetened the pot by tossing in commitments not to support a right-to-work proposal and to defuse the "California trend" by avoiding mandatory, constitutional limits on taxes or spending (he supported, instead, a vote which was merely "advisory").

Senator Percy's close race in 1978 was tipped by IEA assistance, granted because Percy would also toe the line on increased federal funding for education and a national public sector collective bargaining bill.[45]

Despite the value of these endorsements, the more fundamental source of IPACE and IEA strength may be seen in the essence of electoral politics – money and manpower. Except for the two main political parties themselves, IPACE raises and spends more money in connection with elections and lobbying than any other organization in Illinois. In 1974 and 1976, for example, IPACE spent 2.5 times more money on General Assembly candidates than the next highest of the 85 active, registered political action committees. In the same years, the IEA and IFT combined spent twice as much political money as the two largest business associations combined (Illinois Chamber of Commerce and Illinois Manufacturers' Association).

A closer look at political spending patterns reveals that IPACE's $357,000 in 66 successful General Assembly races was the top figure for the two elections of 1974 and 1976. Interestingly, groups which spent far less (number two was the realtors' PAC at $144,000) spread their money over many more races (the realtors supported over 200 successful candidates): thus, each IPACE-supported legislator was, based solely on the larger amounts of per-candidate campaign money and the more specific "targeting," considerably more indebted to the teacher group than any legislator supported by, say, the realtors.[46]

44. *Ibid.* (February 19, 1978), p. 11.

45. UPI, *Ibid.* (September 17, 1978).

46. Also of interest is the fact that this funds-conserving targeting pattern may also be seen regarding the next highest union, the Teamsters, which disbursed $100,000 to only seven candidates.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Comparable amounts of money were contributed to Congressional candidates: the IEA and IFT (with the former outspending the latter by four to one) combined ranked third among all union PACs in direct cash contributions to U.S. House and Senate candidates in the 1978 election.

Though it is well-recognized by some students of PAC involvement in elections, the point should be emphasized here that, for union groups generally and the teacher union PACs particularly, direct cash contributions to campaigns is probably only a secondary form of election assistance. Far more valuable to candidates and their campaign committees are the manpower (used to administer the numerous campaign functions from speech writing to phone banks, from advance work to driving prospective favorable voters to the polls) and such in-kind services as printing, computing, and mailing which unions deliver to the election effort. Teacher unions are notable in this regard, both because they (the NEA and its affiliates being a pattern-setting example) have exerted greater efforts to develop and apply these services and because they are peculiarly structured to enhance their effectiveness. The "grass roots" organization of the IEA and IFT, with locals in most of the state's 1,000 school districts, is unparalleled by that of any other union, much less business, PAC. Nor can the particular relationship between teachers and students or their parents be matched by the operatives of any other PAC. Clearly, aside from the teacher unions, there are few (if any) groups with aspirations to political influence which include as many people who are, by nature and profession, articulate, educated, skilled in working with individuals or groups, and experienced regarding legislative matters. IPACE's training program for political action by teachers is impressive: the group has announced, for example, an internship program involving eight weeks of work with legislators in Springfield. IEA's Department of Legislation and Political Education will provide stipends of up to $1,500 to participants.[47]

By any readily acceptable measure of success, the teacher union investments in politics have begun to pay off handsomely. On the national level, from 77% to 87% of NEA-endorsed Congressional candidates won their contests in the four elections during 1972-78. In Illinois, 85% of the General Assembly candidates endorsed by IPACE in 1976 won. Of state officers en-

47. IEA *Advocate*, Vol. 13, No. 5 (January, 1979), pp. 4, 25.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dorsed, 100% won. Roughly comparable success was achieved in the 1978 state elections. It is worthwhile to note that this record was considerably better than that of the AFL-CIO's COPE.[48]

Due largely to this teacher union success rate, enjoyed primarily by Democratic Party candidates, control of the Illinois legislature changed parties and that control was retained in 1978 despite some slippage.

Both the ability to engage in political activities or programs and the success which they have produced were made possible by money – money gathered in large quantities, spent effectively, and backed by tightly-controlled organizations. With IEA membership costing $122 per year (of which $84 goes to the state level, $8 to the local, and $30 to NEA), this amounts to nearly $10 million in annual income if the IFT dues structure is roughly comparable and if we assume there are about 80,000 teacher-members in the state. Of this amount, almost $7 million annually is retained by the state-level organizations (IEA and IFT) and the IEA at least automatically sets aside $6 per member for political purposes: a member can request in writing that this be refunded but, as a result of considerable pressure, few apparently make such a request. Thus, the teacher unions can accumulate about $1 million in political funds during the two years separating each state-level election. None of this, however, includes the political funds accumulated on the local and national levels of the teacher unions: nor does this estimate include most of the manpower and in-kind services which we have already identified as being of even more fundamental importance than expressly-identified political expenditures. And then, of course, there are the numerous separate, supposedly independent and voluntary, contributions to the PACs. The result is cash, a supply of extraordinary dimensions made all the more incomparable by the preciseness with which it is targeted: the criteria are simple, spare, and entirely self-serving; they permit an economy not available to PACs which seem comitted to supporting any incumbent, regardless of ideology, or to investing in opposing candidates, or to spreading inconsequencial amounts around so many recipients that the impact of each dollar is diluted.

48. Ken Watson, *Champaign-Urbana News-Gazette* (November 23, 1978), p. A-6.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

When that cash is expended to achieve direct access to the political process, the consequence is the maximum possible influence. Examples of this are, unfortunately, becoming increasingly common, in Illinois and across the nation. Following three years of agitating for recognition from the school board of District 300 (West Dundee, a Chicago suburb), an IEA local changed its unsuccessful tactics and, instead, entered two candidates for the school board election in 1976. They won, and the new board promptly granted recognition, followed swiftly by contract negotiations.[49] The Springfield Education Association became unhappy about the degree of opposition it was receiving from the Springfield School Board in 1977. Unable to convince members of the board of the essential propriety of its bargaining objectives, the SEA determined to change the board: six of the seven SEA-sponsored candidates won in 1978 and the SEA controlled the school board. The IEA local had obtained the ultimate union tool – it could now bargain with itself for itself.[50]

It need hardly be added or elaborated that, in accordance with every available axiom of organizational theory, this money, power, and highly useful structure have combined to create a bureaucratic urge of epic proportions. It is large, ambitious, and well-paid. At a time when beginning teachers in Illinois may earn less than $10,000, many of the IEA bureaucrats are paid $25,000 and more annually. Even so, it is not sufficient. On July 1, 1977, the IEA locked out its 52 staff members in a labor dispute with its own internal union – the Supporting Staff Association. IEA's Executive Secretary voiced a complaint common to employers everywhere when he declared that the IEA could hardly be accused of union-busting by this move because it was then paying its staff "an average of $26,000 a year plus another $10,000 in fringe benefits." Management's offer was 18% over two years but the intractable SSA demanded 20%. The issue was settled at salary plus fringes of around $42,000 – a considerable sum indeed compared to the income of those whose dues were paying such munificent wages.[51]

49. IEA *Advocate* (June, 1976), p. 3.
50. Springfield *State-Register-Journal* (April 9, 1978).
51. BNA, *Government Employee Relations Report*, No. 70 (July 25, 1977); Springfield *State-Register-Journal* (July 13 and 14, 1977).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

SECTION VII

Caught in the Middle: Students, Teachers, and Parents

As the teacher unions practice a politics of confrontation among themselves and with government, the consequences are rather like the fallout from a nuclear blast: the effects spread widely, not always predictably, and sift down upon the unprotected heads of thousands of innocent parties.

Students, for example, run the risk of becoming pawns in the struggle, hostages as it were at times, whose ultimate welfare is frequently forgotten despite the central role that their welfare plays in the propaganda of all parties. Their loyalties are torn, their allegiance is sought, they are often seen as simply a channel of communication to parents, their education is disrupted, and they are given dangerous models of behavior if their teachers participate in an illegal strike or ignore a lawful court order. It would be sheer speculation to suggest a connection between the increasingly militant record of the teacher unions and the decline in achievement test scores; yet there *is*, if nothing more, a demonstrable parallel in when these two trends appeared on the American scene.

It may seem incongruous to suggest that teachers can find themselves caught in the crossfire, but the possibility becomes a virtual certainty when it is remembered that the teacher unions have grown into bureaucracies which are not necessarily constrained by the desires and needs of their members – much less those of teachers in general. The result is that individual teachers, perhaps even in large numbers, particularly teachers who remain committed to a professional concept, are often caught in the impersonal cogs of a union structure or a union-dominated educational machine when those individual needs run counter to union organizational imperatives.

An excellent, though ultimately distressing, example of this in Illinois is the issue of compulsory unionism as evidenced in the case of Susan Levine. Under a union shop contract, an employee must formally become a member of a union (which has exclusive bargaining privileges) within some specified time following employment: failure to do so can constitute contractual grounds for dismissal. Under the agency shop, formal membership is replaced with paying the equivalent of dues and fees to the union, but as before the failure to tender this money can

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

be a cause for dismissal. Constructively, the union shop as defined above is not permitted in either the private or public sectors: various states permit the agency shop, and the union shop is often found in practice.[52]

This is not the place for an economic, legal, philosophical, political, or organizational critique of compulsory unionism or union security.[53] A majority of the public, including a majority of union members, opposes union security and the practice is drawing increasing academic attention.[54] For our purposes here, we need only note that the teacher unions in Illinois (particularly the IEA) have made the acquisition and retention of "union security" a cornerstone of their bargaining and strike threat policies. All this is evidenced in the case of Shirley Levine, a tenured teacher in school district 204 located in a suburb west of Chicago.

In 1976, the school board granted an agency shop to the IEA's local and, as a consequence, Mrs. Levine, though previously an IEA member, was notified she would have to pay the unified IEA dues of $122 a year or face dismissal. Mrs. Levine refused to do so and objected specifically to the political purposes to which she claimed her dues would be put, with her only recourse being an objectionable procedure of applying for a rebate. On March 21, 1977, the Board of Education discharged this tenured teacher (effective at the end of the school year) because her performance was claimed to be "deficient and unsatisfactory."

Under Illinois School Code regulations, the case went to an independent hearing officer chosen by the contending parties, each striking one name from a list of three presented by the Office of Education. Mrs. Levine, of course was one party and the IEA local (joined by the state and national associations) was the other, despite the fact that the union local was the "exclusive representative" of all teachers in the district including Mrs. Levine.

The facts and conclusions as determined by the arbitrator in-

52. See Thomas R. Haggard, *Compulsory Unionism, the NLRB and the Courts* (Philadelphia, Penn.: University of Pennsylvania, Wharton School, 1977).

53. *Ibid.*, Chpts. 11-12.

54. James T. Bennett and Manuel H. Johnson, "Free Riders in U.S. Labor Unions: Artifice or Affliction?," *British Journal of Industrial Relations* (July, 1979).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cluded the finding that Susan Levine was a tenured teacher in good standing, a former voluntary member of the IEA local, and a professional whose performance could in no way be described by the provisions of the School Code relating to the discharge of tenured teachers ("incompetency, cruelty, negligence, immorality, or other sufficient cause . . . . ": Section 10.22.4). In fact, the arbitrator was forced to conclude that Mrs. Levine was fired solely because she would neither rejoin nor pay dues to the teacher union: because her dismissal violated "freedoms of the individual as protected under the First Amendment" of the U.S. Constitution and various sections of the Illinois Constitution, the school board's action "was unlawful." The arbitrator ordered Mrs. Levine's reinstatement." [55]

Against the lone Mrs. Levine, the combined weight of the union local plus its state and national organizations moved to appeal this apparently dangerous precedent. An appeal was filed: the Circuit Court was asked to affirm the agency shop arrangement and to make permanent Mrs. Levine's termination. The IEA's attorney was quoted as declaring the union's determination to carry the appeal as far as necessary.[56]

In November of 1978, the IEA-NEA withdrew its legal appeal. The case had become a local and regional issue: there were indications that the IEA's lack of concern for the basic meaning of the tenure system, its willingness to equate the failure to pay union dues with "incompetency, cruelty, negligence, [or] immorality....," and its ability to put a competent teacher through turmoil, trauma, and expense were eroding even further the IEA's claim to be concerned about equality, freedom, and educational quality. It is clear that the IEA had not changed its position on compulsory unionism. In fact, the IEA made the point that its case was weak because Illinois lacked a comprehensive bargaining law, a lack which its support for Governor Thompson in 1978 was designed to correct.

There is every indication that, should the teacher unions be successful in translating their massive electoral and political support into the sort of public sector bargaining bill they have been demanding and should they also succeed in achieving an alternate system of having agency shop fees automatically deducted from teacher paychecks, the coming years will see hundreds of Susan Levines caught in the teacher union crossfire.

In addition to students and teachers, parents find themselves trapped in the union surge for political power. An example of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

this is the PTA, until the seventies the strongest and most active group supporting public education and serving as a communication bridge between parents and the schools. In pursuit of these functions, the PTA had worked closely with numerous other education-oriented groups (including, on the national level, the NEA).

By 1970, however, the working alliances between the PTA and the NEA had broken apart, largely as a consequence of the NEA's transformation into a militant union and of rising union-sponsored strike activity. No matter what the PTA did, it would draw fire – from teachers if it supported the school board, from the school board and parents if it supported teachers, from teachers if it tried in the interest of children to keep schools open during a strike, and from everyone if it tried not to take sides at all.[57] At the same time, the PTA local groups were discovering that they and the parents for whom they were quickly becoming the only organized channel of communication were being increasingly muscled out of any effective input to the educational system. As the former president of the Illinois and national PTA put it,

> When the contract has been signed, the parents have no control over how their tax money is being spent or what has happened to the educational program of their children. The resentment of the public is increasing and they are seeking how they, the consumers, can have a role in the control of American education.[58]

The initial reaction of the PTA looking to avoid a complete schism with teachers, was to emphasize its neutrality. Combined with this was an effort to educate itself and particularly its parent-members regarding the collective bargaining process, but it has also found it necessary to retreat from its previous leadership position in the face of union encroachment. More recently, the PTA has begun to refine its role based upon developing the notion of a separate "public interest" apart from and even op-

55. See *Board of Education v. Susan Levine: Findings of Fact and Conclusions of Law,* submitted to the Illinois Office of Education by Arbitrator James F. Stack (March 14, 1978).

56. "IEA Starts Court Battle Against Levine Ruling," *Suburban Life Citizen* (LaGrange, Illinois), May 17, 1978.

57. See National PTA, *The Role of Collective Bargaining in Public Education* (Chicago, undated).

58. Mrs. Carol Kimmel, speech to Boards of Education conference, New Orleans, October 19, 1975.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

posed to the interests of the teacher unions or school boards. In particular, the Illinois PTA has given this new stance a concrete basis through its position on two major issues.

On the one had, it has expressed its strong concern for any activity on the part of teachers which would have the effect of drawing pupils into union negotiations. The PTA's argument on this matter included, among other points, the likelihood that children would receive only one side of the controversy, and its position was therefore nothing more than a stand against censorship and thought control in the classroom exercised by a special interest.[59]

On the other hand, it has sought to protect the rights of individual teachers by declaring its firm opposition to any sort of union security arrangement.[60]

Despite several attempts to rebuild an alliance with the Chicago PTA[61] in the face of rising taxpayer opposition to excessively expensive government services (a Proposition 13 type measure, although only advisory, passed in Illinois by a four to one majority in 1978), the Chicago Federation of Teachers shortly thereafter gratuitously stymied such efforts by issuing a comprehensive and shocking set of demands which galvanized the city's PTA into active opposition. Several of these demands had the express intent of further closing off communications between parents and the schools, as well as reducing to virtual nonexistence the opportunities for parent involvement in school policy decisions. The Chicago PTA's response was to offer the concept of "parent power" and to request participation in contracts negotiations on behalf of parents.[62]

SECTION VIII

Conclusion: Where Are the Teacher Unions Taking Us?

Given the topic and the evidence we have adduced, any conclusion we might offer for this study would be anticlimactic. Anyone who writes honestly and objectively about the teacher

59. See, for example, the resolutions of the Illinois Congress of Parents and Teachers, mimeo, 1976.

60. *Ibid.*

61. *Chicago Tribune* (November 19, 1978).

62. Casey Banas, "PTA Backs Parent Power in Teacher Union Talks," *Chicago Tribune* (June 28, 1979), p. 1-8.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

unions, their plans and programs, or their potential impact upon our society runs the risk of being labeled a scaremonger, a fantasist, a right-wing ideologue, or worse. Unfortunately, there is no easy exit from this problem because the nature of the problem dictates our response.

We claim no special knowledge or insight regarding what the teacher unions want or what they plan to do. Like Will Rogers, all we know is what we read in the papers – plus, of course, we have taken the extra time to acquire and analyze the unions' own publications. The conscientious citizen need do no more than this to appreciate the importance of what we are saying or, if necessary, to become convinced personally that our presentation is accurate.

As the leading teacher union, the NEA sets the pace of the teacher union movement. In all candor, we must admit to a perplexing fascination with this organization. While we have merely repeated the common observation that the NEA underwent a major transformation in the sixties, from a professional association to a self-centered union, there is evidence that even a half-century earlier the NEA was experimenting with strange educational theories. For example, in 1918 the NEA issued a document titled "Cardinal Principles of Secondary Education" which "stressed 'social efficiency' above intellectual rigor" and, "in a first draft of the document, the 'three R's were not mentioned at all" while "mathematics and foreign language were all but discarded."[63] Today, an analysis of the NEA's papers, journals, classroom materials, and convention resolutions would suggest that the organization has moved far beyond such modest attempts to reformulate the nation's educational system into one based on "'social efficiency' above intellectual rigor . . . ." Instead, one finds an emphasis on power – in particular, power which adheres to the organization.

For years, the NEA has wanted a separate, Cabinet-level department under which nearly all federal activities in education would be grouped. The NEA has it.

The NEA wants to control this new Department, with concomitant control over federal funding and regulatory power. The NEA will have it, unless the Association's efforts in this regard are actively identified and opposed. We note that the out-

63. Fred M. and Grace Hechinger, "A Long Tug of War," *The Wilson Quarterly* (Autumn, 1979), p. 115.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

going NEA President, having lost his bid for re-election, immediately thereafter was hired by the White House.[64]

The NEA wants vastly increased funding for schools (we refrain from saying "for education") from all sources, with higher proportions coming from government levels more removed from citizen control. In January of 1979, the NEA announced with great fanfare and satisfaction:

> ...for the first time in the history of tax-supported school financing, the states [and federal government], and not local governments, appear to be providing the lion's share of school revenues....[65]

The NEA wants compulsory unionism for public school teachers. It has demanded the union and agency shop in state after state and has worked even twice as hard to ensure that state public sector collective bargaining laws are based on the most fundamentally compulsory device of unionism — exclusive representation. The NEA has exclusivity everywhere it bargains; and it also has many hundreds of contracts which require membership or dues on pain of being fired. Indeed, the NEA has demanded that competent, qualified teachers *be* fired simply because they do not choose to support the NEA.

The NEA has claimed for itself the right to determine "who enters, who stays, and who leaves" the profession. In the last several years, the NEA has achieved some success in obtaining such a power through compulsory unionism but, aiming for more direct power, it has proposed in various states that an agency be created to "license" prospective teachers and that the NEA be given the controlling voice in the agency's decisions.[66]

The NEA has long desired organizations set up nationally to promote teacher training along NEA policy lines. Realizing that such a network would put a dent in even its budget, the NEA has lobbied for federal funding but "teacher control." No less an authority than the Vice President of the United States has recognized that the "teachers' centers" system, in operation since 1978, was created by legislation written jointly by the Carter Administration and the NEA and that the centers must

64. *Education Daily*, Vol. 12, No. 217 (November 9, 1979), pp. 5-6.

65. IEA *Advocate* (February, 1979), p. 2.

66. E.g., David Ashenfelter, "Pressure on the Licensing Bill," *Detroit News* (March 25, 1977).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

be run by the NEA.[67]

The NEA has concluded that, with the public growing increasingly dissatisfied about a demonstrably poor record of educating children, there exists a real danger of parents turning to the private sector given any relief at all from the related problem of double costs (i.e., continuing to pay taxes to support the public sector, while having to pay private sector tuition). So far, the NEA has been almost completely successful in blocking proposals at the state and federal levels to relieve the double costs problem through "voucher," tax deduction, or similar plans.[68]

The NEA wants no ceiling on government social programs, notably education, but there must be reductions in national defense, security, and intelligence categories. To achieve this, the NEA has joined with five other unions in the "Coalition of American Public Employees" and has opposed as well *all* citizen efforts to limit taxes.[69]

A national-level study by the highly respected research group, the Rand Corporation, discovered a pattern of strategy which had become well developed as long ago as the early seventies. In phase one, teacher unions bargain over strictly economic issues, in phase two, the emphasis shifts to working conditions and job security; and in phase three, the concern is with overall education policy.[70] Having assured themselves of high (frequently inflation-proof) wages and fringe benefits, having mandated that no jobs will be lost even though enrollments are declining, and having gained a major influence upon many aspects of their working conditions, there is little that teacher unions could bargain for except more of everything and control over what can be taught. The exercise of political power on the state and federal levels will have already achieved the power to

67. Walter Mondale, "Leave Them Alone to Do Their Job," *Today's Education* (November-December 1979), p. 29; see also "Teachers Will Run Teacher Centers," *NEA Reporter* (March, 1978), p. 13.

68. See the *NEA Handbook* (1977-78), p. 200, where voucher plans are vigorously opposed and the demand is made that "voucher feasibility studies" be *prohibited* by state and federal legislation.

69. In the case of Illinois' version of Prop. 13, see Springfield *State-Journal-Register* (September 26, 1978). For the NEA's position in the California referendum, see *NEA Reporter* (September, 1978), pp. 1-2.

70. Lorraine McDonnell and Anthony Pascal, *Organized Teachers in American Schools,* Report 2407-NE (Santa Monica, Calif.: Rand Corp., February, 1979).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

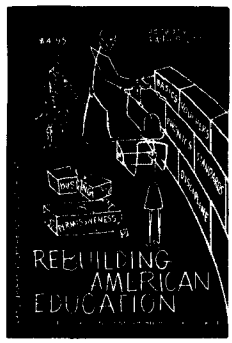
determine *who* teaches.

Organizations seeking fundamental and massive changes in society normally adopt one of two postures. Either they become clandestine, underground, revolutionary groups skulking in alleys, printing crude tracts on basement mimeo machines, and robbing banks for their funds; or they become huge, highly visible, overt machines which publish their revolutionary objectives widely and in great detail on the theory that no one will really believe these aims will actually be pursued or that no one will grasp the overall battle plan. The group choosing the latter posture walks openly in the legislative hallways, publishes its tracts on multi-color slick paper, and extracts its funds using computerized dues billing and the threat to the nonpayer of losing his job. The teacher unions have decided that their organizational interest are best served by the open pursuit of political, economic, and educational power.

It remains to be seen whether the American public (and thousands of unsuspecting teachers) will realize the depth and breadth of what the teacher unions plan for American society.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PROVOCATIVE AND LEVEL-HEADED APPRAISALS of today's education



...*Rebuilding American Education*...helps to explain the strength now being shown by so-called "right-wing" movements in this country—a strength based on their newfound diversity and adaptability...

BEHAVIOR TODAY

...Claiming that the last 20 years have seen the controlling influence over American education go to a new class of government bureaucrats, teacher organizations, liberal scholars and important segments of the media and publishing industry, this book accuses the new class of undermining traditional authorities and imposing its own values on students, converting schools into agents of social change, and relegating education to a secondary position. The central theme is that education needs new people in control...

THE EDUCATION DIGEST

...This collection of essays centers on the theme that...control must be returned to parents, and education must be brought back to its proper focus on learning rather than on social change...

THE ST. LOUIS GLOBE DEMOCRAT

SOME OF THE AUTHORS
Father Robert E. Burns
W. Earl Douglas
Dr. Louise Bates Ames
Phyllis Schlafly
Dr. Howard Hurwitz

SOME OF THE ISSUES:
Traditional Values
Forced Busing
Educational Bandwagons
The ERA-Abortion Link
Discipline

FOR FREE INFORMATION, WRITE:

Martin Quam Press
(Drawer R)
Rio, Wisconsin 53960

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE SYNDICALISM OF THE INTELLECTUALS: A COMMENTARY ON THE ROLE AND PURPOSE OF THE AMERICAN *INTELLIGENTSIA* IN PROMOTING SOCIALISM IN THE UNITED STATES

By Edwin Vieira, Jr.

I. Introduction

Socialism will replace free enterprise in America if the dominant group in our society desires it. The salient trend in recent decades having been towards the ascendancy of socialistic ideas, policies, and programs, three questions require answers: Who constitutes the dominant group in our society? Why does this group want socialism? How has it overcome the resistance of forces opposed to socialism?

A leader of the Austrian School of economics, F.A. Hayek, proposed the following explanation in his essay *The Intellectuals and Socialism*. (1) The "intellectuals," "the professional second-hand dealers in ideas" who mold public opinion, comprise the dominant group in the contemporary United States.(2) For various reasons, many intellectuals desire socialism. These "socialistic intellectuals" have convinced the "masses" that socialism is desirable or inevitable. And, therefore, our government has instituted socialistic programs that reflect the masses' opinions.

This article examines Hayek's argument.

II. Discussion: Analysis and Criticism of Hayek's Theory of the Intellectuals and Socialism

Hayek addresses the source of socialism, its means of propagation and allure, and the tactics necessary to combat it. Socialism, he says, stems from the intellectuals, not the masses. From their strategic positions in the world of ideas, the intellectuals impart a socialistic slant to everything they communicate to the masses, thereby determining the masses' views on public policy. The intellectuals lack practical knowledge of how the market functions; and they ignore the anti-socialistic teaching of economic scientists. Yet, notwithstanding this, they have embraced socialism in good faith. A fundamental methodological error in their approach to understanding things, not an

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

evil intent, has misled them. The intellectuals, Hayek explains, judge everything according to certain "general ideas." The most important of these ideas — the notions of "conscious social planning," "democracy," and "equality" — socialism combined into an utopian (albeit false) vision of society that intoxicated the intellectuals. And, therefore, to enlist the intellectuals in their cause, non-socialists must excite the intellectuals' imaginations and challenge their talents with a visionary plan for a free society.

A. The Source of Socialism

"Socialism," Hayek explains,

> has never and nowhere been at first a working class movement. It is by no means an obvious remedy for an obvious evil which the interests of that class will necessarily demand. It is a construction of theorists, deriving from certain tendencies of abstract thought with which for a long time only the intellectuals were familiar; and it required long efforts by the intellectuals before the working classes could be persuaded to adopt it as their program. (3)

To be sure, the socialistic doctrine of state-ownership of the means of production never sprang from or excited the great majority of ordinary Americans. Yet, during the last one hundred years, most Americans have supported, accepted, or at least acquiesced in the Fabian socialization of the United States. History records a consistent popular desire for the benefits of various "social and economic reforms" (primarily "welfare-state services"), and an equally consistent popular tolerance of the means employed to provide those benefits (primarily bureaucratic controls over market-activity and social relations generally).

Moreover, from the average man's perspective, these *ad hoc* steps towards socialism *are* "an obvious remedy for an obvious evil": because people believe that state-interference with the market will enhance their own present employment-security, income, or social position. Those familiar with economics understand why a stable and progressive "mixed economy" is impossible, and therefore that society must choose between the market and socialism. (4) Ordinary people, however, ignore the generalized merits of economic and political systems in the long run; they think in more immediate, parochial terms. Beset

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

by personally unsatisfactory social and economic circumstances that they rationalize as "failures" or "inequities" of the market, and hope state-coercion can remedy, they clamor for protection against the effects of other individuals' freedom. Americans have traditionally employed such interventionistic techniques as monopoly, restriction, inflation, regulation, and confiscatory taxation to stifle market-activity – and a desire for these *ad hoc* interventions, rather than for socialism itself, has provided a foundation for the edifice of all-around state-domination of society.

Economic and social insecurity renders people susceptible to appeals for political action based on greed, vulgar envy, intolerance, the lust for power, and anti-individualism. (5) But *syndicalism*, not socialism, is the characteristic popular ideology arising from this insecurity. (6) Admittedly, political science has traditionally linked syndicalism, as a philosophy and plan of action, with the trade-union movement. And indeed, the writings of such as Georges Sorel are little more than codifications and systematizations of trade-union experience. (7) Nevertheless, syndicalistic strategy and tactics are useful not only to labor-organizations. Labor-syndicalism teaches that wage earners can achieve "job security" if they collectively seize control of the means of production, and institute "democratic" regulation of industry. The goal of coercively "redistributing" control over productive resources from existing owners to organized private groups is not unique to trade-unions, however; labor-syndicalism is but one species of a common genus. At base, all state-intervention in the market is syndicalistic: In every case, an identifiable syndicate, or gang, gains at the expense of all other individuals when some act of private violence or state-coercion transfers control over part of the social division of labor from the market to the gang.

Yet syndicalism does facilitate the emergence of socialism. Throughout the evolution of the market-economy, organized groups of landowners, merchants, farmers, bankers, capitalists, and laborers (to name only the most familiar) employed state-coercion to advance their own interests at the expense of others. Their political machinations popularized both the illusion that state-intervention is necessary to harmonize the interests of allegedly antagonistic economic groups, and the rationalization that intervention on behalf of this or that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

syndicate is "in the public interest." And with these, the intellectuals successfully agitated for socialism. (8)

Socialism, then, is no theoretical contrivance of intellectuals foreign to the popular mind. Rather, it is a cunning re-direction of the most primitive and recurrent of mass-ideologies – which, for the first time, brought apparent order out of the chaos of the interventionistic state. First, socialism rationalized the demands of various syndicates, by conjuring "social problems" inherent in market-operations that only the state could solve. Second, socialism promised to integrate the most important of the syndicates, including wage-earners and farmers, in a coherent political program. (9) Third, socialism identified a syndicate-of-syndicates, or "super-gang," to which the masses supposedly owed allegiance: "society" (or, more realistically, that group of politicians, *fonctionnaires*, and their advisors who claim to speak for society). In short, socialism explained why syndicalistic state-intervention should become unlimited, or totalitarian, under the direction of the intellectuals. Hayek correctly observes that "it required long efforts before the working classes could be persuaded to adopt [socialism] as their program." But these efforts would have been even more onerous, if not altogether futile, had large numbers of people lacked sympathy for the intellectuals' anti-market goals.

In sum, Hayek's analysis stumbles at the threshold; for, although he identifies the intellectuals as the source of socialism, he never explains either why they inculcate that doctrine into the popular mind, or why that mind is receptive to it. (10) Admittedly, his description of the intellectuals as men of good will misled by their own errors and prejudices may fit some of our contemporaries. (11) But not all of them. And for that large, non-Hayekian residue, a more plausible explanation is that they promote socialism because *socialism is the syndicalism of the intellectuals.*

Syndicalism teaches that organized groups of individuals who perform some function in the division of labor should establish their own "sovereignty" over a segment of the market-system. The state offers various groups proficuous means for attaining syndicalistic ends, such as compulsory unionism, "parity-pricing" for agriculture, legal-tender laws, or cartel arrangements maintained by governmental regulatory agencies supposedly policing competition. For the intellectuals, however,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

syndicalism along these lines is problematical. Purely *as intellectuals*, they occupy no strategic economic position. Therefore, to succeed *as intellectuals* in asserting sovereignty over some segment of the market, they must either become the mentors of groups able to act syndicalistically, *or use the state to seize direct control of some, or all, of the social system of production.*

Instructive in this regard are the intellectuals' largely unsuccessful attempts during the last hundred years to mobilize the trade-union movement on behalf of socialism. (12) To attribute these failures to the peculiar "anti-intellectualism" of labor-leaders is common. (13) However, it begs the question why union-officials should adopt that attitude. As neither industrialists nor farmers (for example) have evinced any greater willingness than have organized workers to be manipulated by intellectuals, the "anti-intellectualism" of these groups probably reflects only their realization that, save as propagandists, intellectuals can contribute little to their syndicalistic ventures. All syndicates, after all, consider their activities *cosa nostra*, "our thing," (to quote a *dictum* of people particularly knowledgeable in these matters) and strive to exclude outsiders from any share in their "sovereign power."

Thus experience taught the intellectuals that, for their syndicalism to succeed, they must turn to — indeed, themselves become — the state. (14) In a democratic society, this meant convincing voters to elect candidates and approve public policies favorable to socialism, under that name or some other. This task the intellectuals accomplished, by promoting the notion, so congenial to every special interest seeking protection from the discipline of the market, that the state should aggressively interfere in economic and social affairs on behalf of organized groups. The administrations of F.D. Roosevelt supply the most numerous examples of this strategy, in such syndicalistic measures as the National Industrial Recovery Act, (15) the Agricultural Adjustment Act, (16) and the National Labor Relations Act, (17) although striking instances also appear in the Wilson administration with the formation of the Federal Reserve System, (18) and even earlier. (19) A major purpose of this strategy was to create a permanent need for, and to transfer increasing power to, a standing army of professional politicians, state-*fonctionnaires*, bureaucratic regulators, and academic advisors drawn from the ranks of the intellectuals. And, eventu-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ally, to render this power irresistible: For, although each syndicate gained immediately from bringing part of the market under state-domination, once the state consolidated its position through a system of regulatory agencies and other devices capable of independent action, no syndicate by itself or allied with others could control the Minotaur each had helped to create. Greedy to gorge themselves at the public trough, the labor-unionists, businessmen, farmers, and others like them forgot what he reaps who sows the winds. (20)

Socialism, then, *pace* Hayek, is simply a variant of the characteristic ideology of the average man. Socialism is the syndicalism of the intellectuals, the same tactic that every interest-group employs to advance its members' wealth, prestige, and power by abridging the freedoms of their competitors – appropriately modified, however, to serve a group that can achieve its aims only by seizing direct state-power to "regulate" social and economic affairs without limit. (21)

B. The Means of Propagation of Socialism

The intellectuals have foisted socialism on the masses, Hayek explains, because they

> determine the views on which society will act in the not too distant future. . . . Once the more active part of the intellectuals has been converted to a set of beliefs, the process by which these become generally accepted is almost automatic and irresistible. They are the organs which modern society has developed for spreading knowledge and ideas and it is their convictions and opinions which operate as the sieve through which all new conceptions must pass before they can reach the masses.
>
> It is of the nature of the intellectual's job that he must use his own knowledge and convictions in performing his daily task. . . . And just because the intellectuals are mostly intellectually honest it is inevitable that they should follow their own convictions whenever they have discretion and that they should give a corresponding slant to everything that passes through their hands. (22)

However, that the intellectuals occupy a critical position in the world of ideas does not compel the conclusion that they *determine* the views of every other segment of society, especially by an *automatic* and *irresistible* process. Only if the average man – and, indeed, the "experts," whom Hayek believes the intel-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lectuals also influence – were incapable of independent thought would Hayek's thesis be valid. The facts of day-to-day life, however, belie this premiss.

The inclinations of the average man, not the initiatives of the intellectuals, determine society's course. The intellectuals may exploit these inclinations; but they do not create them. No matter how skillful the propaganda bombarding them, even suggestion-prone individuals act upon what they are told only if the ideas strike a responsive chord in their own psyches. As far as socialism is concerned, that chord is syndicalistic in character. The same primitive urges and notions that impel the syndicalism of this or that group promote the syndicalism of the intellectuals. (23)

Human beings act according to either of two opposed ethics: *cooperation*, which manifests itself in social peace under the economic direction of the market and the legal discipline of a limited government; and *exploitation*, which manifests itself in chronic international and class-warfare among regimented gangs fighting under the banners of "state," "union," "cartel" – and, more recently and ominously, "sex." (24) Economic and social insecurity drives even men of good will to adopt the latter ethic in intercourse with their neighbors.

During the last hundred years, the socialistic intellectuals realized that, if they exaggerated the insecurities inherent in the market, contrived new ones, and contrasted these "social evils" with a mythical state of bliss under socialism, they could harness the ethic of exploitation so as to seize wealth, power, and prestige far in excess of what they anticipated would accrue to them if they strived to reduce insecurity by working to perfect market-mechanisms. Therefore, they bent their best efforts towards legitimizing, propagating, and institutionalizing exploitation under the aegis of the state in every area of social interaction, while simultaneously denigrating, circumscribing, and penalizing cooperation. Their success depended, however, not only on the average man's propensity for syndicalistic action, but also on his inability or unwillingness both to discover the cause-and-effect relationship between state-intervention and the vast majority of supposed "market-failures," and to foresee or forestall the disastrous consequences of totalitarian intervention under socialism. In short, the intellectuals saw an unique opportunity for their own aggrandizement in the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

insecurity, greed, envy, intolerance, lust for power, ignorance, shortsightedness, and cowardice of the common individual. And the masses did not disappoint them.

Although many intellectuals have innocently broadcast socialistic propaganda over the years, Hayek's contention that honesty and innocence are attributes of most socialistic intellectuals is incredible. First, "intellectual honesty" requires an individual thoroughly to investigate the beliefs he urges on others. Yet, as Hayek concedes, the socialistic intellectuals have consistently ignored or even scorned the teaching of modern economics. Second, the intellectuals who control the contemporary media and academy evince an attitude on social, economic, and political issues slanted in every direction save towards intellectual honesty. The phenomenon is most apparent in those universities that still sanctimoniously announce their commitment to academic freedom, but wherein professors achieve fame and fortune only by serving as political advisors or *apparatchiks*; by rephrasing in *pseudo*-scholarly jargon the myths of syndicalism and interventionism already popular with the man in the street; or by indoctrinating students with the dogmas of such pressure groups as the farmers, the unions, or the bankers.

C. The Allure of Socialism

Notwithstanding all this, Hayek explains the prejudices of the socialistic intellectuals as good-faith error. The intellectuals, he says, misunderstand the market:

> [T]he fact that the propertied classes are no longer the best educated, and the fact that the large number of people who owe their position solely to their general education do not possess that experience of the working of the economic system which the administration of property gives are important to understanding the role of the intellectual. . . [I]t is the absence of direct responsibility for practical affairs and the consequent absence of first-hand knowledge of them which distinguishes the typical intellectual from other people who also wield the power of the spoken and written word. (25)

Now, ignorance of how the social mechanism of production operates, and why political freedom is necessary for it to function optimally, powerfully stimulates interventionistic thought. Hayek wrongly implies, though, that practical experience will educate people in these matters. For instance, "econo-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

mic ignorance" cannot explain the efforts on behalf of fascist-syndicalism that such brilliant financiers and industrials as Bernard Baruch and Gerald Swope expended from the early 1900's until enactment of the National Industrial Recovery Act in 1933. (26) Neither can it account for the role of prominent businessmen in developing the huge superstructure of *proto*-socialistic "administrative agencies" that intervene daily in every aspect of market-activity, or for the accommodation and collaboration that increasingly characterize the relationship between the upper levels of American "free enterprise" and the state-bureaucracy.

Furthermore, practical experience with economic affairs is neither necessary nor sufficient to comprehend the market and socialism. Without a coherent theory of human action, examination of the "facts" cannot resolve controversies concerning the causes and effects of economic and social events. (27) Even if people agree on the facts in a particular case, they will still disagree on how to interpret them. More importantly, to collect the facts in the first instance without reference to theories independent of the investigator's ultimate discoveries is impossible. Economics, in short, is deductive and analytical, not inductive and empirical. (28) Therefore, practical experience has little significance.

Hayek also admits that the socialistic intellectuals lack a scientific understanding of the market. "There was probably at no time a majority of economists," he observes,

> who were recognized as such by their peers, favorable to socialism . . . In all probability it is even true to say that no other similar group of students contains so high a proportion of its members decidedly opposed to socialism . . . Yet it is not the predominant views of the experts but the views of a minority, mostly of rather doubtful standing in their profession, which are taken up and spread by the intellectuals. (29)

Hayek might have added several even-more-serious indictments, though. For not only do the intellectuals disregard economists' opposition to socialism (in contrast to their elation when scientists in other disciplines ignorantly support collectivism), but also they refuse to acknowledge economic reasoning at all, hiding behind the Marxian doctrines of polylogism and polyvaluation; (30) they engage in conspiracies of silence to suppress

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

such seminal findings of economics as the impossibility of rational calculation under socialism; and they aggressively advertise the uninformed opinions of such apologists for socialism as Professor Galbraith. (31)

None the less, Hayek contends that

> it is neither selfish interests nor evil intentions but mostly honest convictions and good intentions which determine the intellectuals' views . . . . [T]he typical intellectual is today more likely to be a socialist the more he is guided by good will and intelligence. . . . If we still think him wrong we must recognize that it may be genuine error which leads the well-meaning and intelligent people who occupy these key positions in our society to spread views which to us appear a threat to out civilization. (32)

This theme is not Hayek's alone. Many critics of the socialistic intellectuals wonder why such "intelligent" and "responsible" people, motivated by "high ideals," cannot see that their actions "unwittingly" produce undesirable economic, social, and political consequences. Even though they never resolve this paradox, the critics still attempt to convince the intellectuals of the economic or political untenability of socialism. (33)

Experience suggests the unlikelihood of their success. Economists have proven that socialism cannot function rationally; yet their efforts have prompted the intellectuals only to dismiss these teachings, and to villify the men who expound them. After more than one hundred years of refutation, including the retreat of the socialistic states themselves from total bureaucratic control of their economies, American intellectuals still stubbornly advocate "national economic planning."

More importantly, the argument that "good will and intelligence" motivate the intellectuals begs the question. First, it assumes that socialistic intellectuals are "intelligent" in the common sense of that term. Hayek, however, concedes their general ignorance of, and hostility to, economic science. Second, it assumes that the intellectuals are sensitive to the consequences of, and accountable for, their actions. Yet vanishingly rare are examples of socialistic intellectuals even considering, let alone foreseeing or preparing for, the untoward effects of the policies they promote. For example, economists have repetitively predicted the futility, prodigality, and destructiveness of such "experiments" in state-intervention as price-fixing, compulsory unionism, and legal-tender *fiat* paper-money. None the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

less, as Hayek allows, the intellectuals have ignored these premonitions.

The immense cost of chronic domestic unemployment caused (for example) by socialistic minimum-wage laws pales into insignificance, though, in comparison to the cataclysm the advent of world-wide socialism will occasion. That socialism cannot solve the problem of economic calculation Ludwig von Mises proved over fifty years ago. (34) In a world that had never become dependent upon the superior productivity of the market, socialism might perhaps be tolerable, albeit hardly desirable from the consumers' perspective. In the world that does exist, however, wherein millions of human beings survive from day to day only because a sizable segment of the international division of labor retains some market-organization, complete socialization means a death-warrant for those whose existence is now marginal. For these teeming hordes peaceably to accept such a fate is extremely improbable. Humankind will suffer war, famine, pestilence, and death on a scale theretofore unimaginable when socialism supplants modern civilization's last major market-system in the United States. For this catastrophe, beside which the Dark Ages will appear a pleasant interlude in world history, American intellectuals will be primarily to blame. Nevertheless, few among them have ever pondered the dire events approaching at an ever-accelerating pace, and fewer still given thought to who is accountable for them. This is the antithesis of a "responsible" attitude. But, as one of their most revealing slogans has it, "In the long run we are all dead" – and, presumably, safe from the retribution of future generations.

Third, Hayek's reference to the intellectuals' "honest convictions" implies that observers ought to acknowledge their "high ideals" at least. Again, this assumes that socialists and their adversaries share common goals. History teaches the contrary, however. The aspirations of such twentieth-century socialists as Stalin or Mao repudiate the fundamental tenets of Western civilization. To call them "ideals," then, is to dignify truly barbaric values. Therefore, more important than gratuitously crediting the intellectuals with idealism is to ascertain whether their goals are praiseworthy. This, however, depends upon whether socialism is such and not upon the fervor with which its exponents assert that it is.

Fourth, Hayek assumes that the socialistic intellectuals are

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"well-meaning," and that, if the policies they promote threaten our civilization, such a result is unintended. To give the intellectuals the benefit of the doubt, however, neglects the adage that little happens in politics by accident. Of course, the intellectuals may be too dull to learn the lesson that the repetitive failures of state-intervention and "planning" teach. But an equally, if not more, plausible explanation is available.

A society that enjoys a market-economy protected by a limited government needs no swarm of officious state-*fonctionnaires*, professional politicians, their academic allies, and other drones to tell people how to lead their own lives. The interests of these groups depend, then, upon failure of the market, the inability of government to maintain the political and legal conditions necessary for its success, or acts of economic and political sabotage by the state or its accomplices. One illustration suffices. Since the turn of the century, the socialistic intellectuals have rationalized the seizure of privately held gold, the "demonitization" of the precious metals, recurrent currency devaluations, restrictions on international trade, imposition of wage- and price-controls, and massive "redistributions" of wealth to promote "economic stability." Rather than achieving their advertised goal, however, these measures have caused deepening economic stagnation together with accelerating general price-increases. But, such programs have augmented the number, wealth, power, and prestige of intellectuals in the bureaus or state-financed academic institutions; have supplied demogogues with scapegoats to castigate for the effects of their own acts; and have injected ever-increasing chaos into the market thereby rationalizing ever-increasing state-intervention. That such was not the intention of many, if not all, of the leading socialistic intellectuals of the last hundred years is unlikely. (35)

Fifth and last, Hayek's suggestion that their "good will" turns the intellectuals towards socialism is not historically cogent. Throughout the twentieth century, the intellectuals consistently planned, promoted, participated in, or at a minimum applauded the most retrogressive species of syndicalism, at the expense of peaceful cooperation under the division of labor; the widest extension of state-power to dictate economic and social arrangements, at the expense of individual liberty; and the worst excesses of totalitarian regimes, at the expense

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the lives, freedoms, and morale of free men everywhere. For example, although they prate endlessly of "civil liberties" and "human rights," the socialistic intellectuals have religiously refrained from criticizing collectivistic regimes that employ slave-labor and mass-murder as routine instruments of policy, and otherwise deny every fundamental freedom known to Americans. But perhaps the intellectuals have been lax in condemning twentieth-century totalitarianism, and lethargic in extending "good will" towards its millions of victims, because they recognize that its atrocities are the necessary products of their own "ideals" put to work. (36)

To be sure, recently the socialistic intellectuals have tempered their traditional enthusiasm for totalitarian regimes with ritualistic denunciations of the supposed "aberrations" of Stalin. (37) Yet they never explained how "Stalinism," as a special set of political doctrines or tactics, differed fundamentally from their own socialism. And they never could. For socialism in general – as did "Stanilism" in particular – ultimately demands that an all-powerful syndicate of "planners" reduce all individuals to instruments of its will; that the state outlaw civil liberties, and crush with military force or police-terror all social dissent; that, in short, an oligarchy invest itself with chattel-ownership of every person and thing within its jurisdiction. (38) Rather than evidencing consciences finally touched by "good will," then, their attacks on "Stanilism" and other "perversions" of socialism merely enable the intellectuals to disassociate themselves from the bloody burden of history.

Hayek proffers a further explanation of their behavior, though, grounded in the socialistic intellectuals' peculiar penchant for

> judg[ing] all particular issues exclusively in the light of certain general ideas . . . . [T]he most characteristic feature of the intellectual [is] that he judges new ideas not by their specific merits but by the readiness with which they fit into his general conceptions, into the picture of the world which he regards as modern or advanced. . . . [T]his selection from the multitude of new ideas presenting themselves at every moment creates the characteristic climate of opinion, the dominant *Weltanschauung* of a period which will be favorable to the reception of some opinions and unfavorable to others, and which will make the intellectual readily accept one conclusion and reject another without a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

real understanding of the issues. (39)

Here, though, Hayek reasons in circles: For the values that "make the intellectuals readily accept one conclusion and reject another without a real understanding of the issues" are simply the values that constitute the socialistic world-view. *Why* the intellectuals choose this one set of values over all others still requires explanation. To develop that explanation, the intellectuals' dominant ideas must receive close scrutiny.

For Hayek, the most important of these are "planning," "democracy," and "equality." The "preconceptions" of the intellectual, he says,

> are mainly applications of what seem to him the most significant aspects of scientific achievements, a transfer to other fields of what has particularly impressed him in the work of the specialists. . . . It seems as if the less specific or precise (or the less understood) these ideas are, the wider may be their influence. . . . Such beliefs as that deliberate control or conscious organization is also in social affairs always superior to the results of spontaneous processes which are not directed by a human mind, or that any order based on a plan laid down beforehand must be better than one formed by the balancing of opposing forces, have in this way profoundly affected political development.
>
> Only apparently different is the role of the intellectuals where the development of more properly social ideals is concerned. Here their peculiar propensities manifest themselves in making shibboleths of abstractions, in rationalizing and carrying to extremes certain ambitions which spring from the normal intercourse of men. Since democracy is a good thing, the further the democratic principle can be carried, the better it appears to them. The most powerful of these general ideas which have shaped political development in recent times is of course the ideal of material equality. It is, characteristically, not one of the spontaneously grown moral convictions, first applied in the relations between individuals, but an intellectual construction originally conceived in the abstract and of doubtful meaning or application in particular instances. Nevertheless, it has operated strongly as a principle of selection among the alternative courses of social policy, exercising a persistent pressure toward an arrangement of social affairs

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> which nobody clearly conceives. That a particular measure tends to bring about greater equality has come to be regarded as so strong a recommendation that little else will be considered. (40)

But if Hayek correctly emphasizes the role of "equality," "democracy," and "planning" in the world-view of the socialistic intellectuals, he fails to enucleate why they adopted just these particular general ideas, especially with the peculiar interpretations they give to them. After all, for the intellectuals, "equality" connotes equality of condition, not equality before the law, even though the latter reflects the best traditions of Anglo-American ethics, jurisprudence, and political economy. Then, for the intellectuals, "democracy" connotes the boundless politicization of society, not limited government, even though the fundamental premiss of Anglo-American political science for centuries has been that "self-government" implies individual freedom from state-intervention as much as it does participation in politics. And finally, for the intellectuals, "planning" connotes state-control over all aspects of economic life, not the market-system, even though economists long ago demonstrated that the market is the most comprehensive and efficient of any social planning-mechanism possible in human existence. Therefore, simply to describe the interpretations of "equality," "democracy," and "planning" most congenial to the intellectuals' propensities is not enough. Instead, the problem is to discover what in these concepts appeals to them – particularly given Hayek's admission that the socialistic intellectuals themselves invented these special definitions.

Hayek does make several important observations. First, the intellectuals' "ideal of material equality" is an abstract construction, not a "spontaenously grown moral convictio[n]." But of course: The ideal of material equality not only fails to reflect, but even aggressively repels, reality. All individuals and their situations differ; and no criteria exist by which to judge the nature and extent of these differences on a single, absolute, abstract scale of "equality." Differences among individuals' monetary incomes, for example, imply nothing about their "equality" in other respects. Yet the intellectuals have long presumed that the distribution of income indicates the propriety of economic, political, and social arrangements generally. Moreover, cooperation in the division of labor results from differences in human talents, desires, circumstances, and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fortunes (together with the variety of the external conditions of life), and tends to differentiate individuals further the more intensive it becomes. Yet the socialistic intellectuals have long claimed that material equality, imposed where expedient by state-coercion, is necessary to improve social cooperation. Evidently, these contradictions between reality and the intellectuals' ideal of "equality" provide insights into the purpose this ideal serves.

"Planning," Hayek says, the intellectuals find both scientifically credible and psychologically congenial: "That . . . the direction of all forms of human activity according to a single coherent plan, should prove to be as successful in society as it has been in unnumerable engineering tasks," he first suggests, "is too plausible a conclusion not to seduce most of those who are elated by the achievement of the natural sciences." (41) He fails to explain, though, why the intellectuals wax enthusiastic over the supposed support for socialism from sciences unrelated to human action in society – whereas they reject outright the anti-socialistic teachings of economics.

Hayek implies that the intellectuals embrace socialism because "planning" promises to improve social conditions. However, this assumes they believe that the market is either not a "plan" at all, or not a workable "plan"; and that socialistic "planning" can maximize human welfare generally. Admittedly, over the last hundred years the *intelligentsia* have denigrated the market as an "anarchy of production," or as a means by which the "propertied classes" exploit everyone else; but never have they proven these charges scientifically. Furthermore, no dogma is more persistent among the intellectuals than that bureaucratic management can bring economic and social order out of what appears as market-chaos; yet never have they refuted the scientific demonstration that political manipulations invariably cause, not cure, economic and social disorder. In short, their support for socialism has no connexion with any scientific conception of planning – only with the judgment that market-coordination of individual activity (planning by freedom) produces undesirable results, and with the expectation that the syndicalism of the intellectuals (planning by force) will arrange things differently.

Consideration of the familiar "social-problems" apology for state-intervention supports this conclusion. People often remark that the intellectuals favor socialism because they believe

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

bureaucratic "planning" can solve "social problems" inherent in a market-society. This is circular reasoning. The notion of a "social problem" is not objective. Rather, the "social problems" that the intellectuals claim socialism can resolve appear as "social problems" only from a socialistic perspective. Socialism is necessary to deal with these "problems" only because identifying the "problems" is another way of describing the absence of socialism.

For instance, the market reflects human differences in inequalities of wealth and income. However, this is a "problem" only in so far as it contradicts the socialistic dogma that material equality should be one of mankind's highest values. Therefore, when the socialistic intellectuals complain that income-inequality is a "social problem" in the market, they really mean that free individuals in sufficient numbers do not yearn for that desideratum of socialism, and that the state should destroy the freedom of the great majority in order to satisfy the caprices of a minority. Or, in general, the fundamental "social problem," from the perspective of the intellectuals, is the freedom of the common man to disregard what they consider important.

Hayek's next observation on "planning" impliedly confirms this judgment. "Speculations about the entire reconstruction of society," he says,

> give the intellectual a fare much more to his taste. . . . What appeal to him are the broad vision, the specious comprehension of the social order as a whole which a planned system promises.
>
> * * * * *
>
> It is because theirs has become the only explicit general philosophy of social policy held by a large group, the only system or theory which raises new problems and opens new horizons, that [the socialists] have succeeded in inspiring the imagination of the intellectuals. (42)

Here, Hayek's analysis becomes discrepant. True, the intellectuals' "taste" influences their attitudes on economic and social matters. But the question is why their taste runs to the "*entire* reconstruction of society," the manipulation of the "social order *as a whole*." Socialism is not the only doctrine that elaborates a popular "general philosophy of social policy," "raises new problems," or "opens new horizons." Therefore, if socialism and not the market inspires the intellectuals' imaginations it must be because something in socialism and absent

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in the market relates directly to the role the intellectuals envision for themselves in society.

Hayek identifies this something (in part) as the promise of "planning" under socialism. He fails to recognize, however, that what inspires the intellectuals is not "planning" in the abstract, but the specific "planning" of the unlimited bureaucratic state, in which the intellectuals hope to occupy every post of consequence. Socialistic "planning" appeals to the intellectuals because such "planning" is synonymous with the syndicalism of the intellectuals.

D. The Tactics Necessary to Combat Socialism

Hayek believes, nevertheless, that conversion of the intellectuals to an anti-socialistic position is possible. "[W]e must be able to offer a new liberal program which appeals to the imagination," he admonishes.

> We must make the building of a free society once more an intellectual adventure, a deed of courage. . . . We need intellectual leaders who are prepared to resist the blandishments of power and influence and who are willing to work for an ideal, however small may be the prospects of its early realization. . . . Free trade or the freedom of opportunity are ideals which still may arouse the imaginations of large numbers. . . .
>
> The main lesson which the true liberal must learn from the success of the socialists is that it was their courage to be Utopian which gained them the support of the intellectuals and therefore an influence on public opinion. . . . Unless we can make the philosophic foundations of a free society once more a living intellectual issue, and its implementation a task which challenges the ingenuity and imagination of our liveliest minds, the prospects of freedom are indeed dark. (43)

To be sure, if constructing a free society were "an intellectual adventure," many intellectuals would participate in it, by definition. The question, though, is whether the *socialistic* intellectuals would find adventure *suitable to their tastes* in such an endeavor. Unfortunately, building a free society cannot appear utopian to them in the way socialism does.

Socialistic utopianism is the reaction of mediocre men to the effects of freedom: in particular, their indignation at the market for withholding the income, weath, influence, prestige, or social

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

position to which they aspire. (44) Each socialist imagines a regime that will be "just" and "efficient" according to his own definitions – and, therefore, that will embody his goals in its "plans," and single out his thoughts and actions for praise. Socialistic utopias, in short, are simply the arbitrary value-judgments of those who imagine them, made absolute in national or worldwide systems of command and obedience. They are the mental products of the self-deification of the intellectuals. (45)

Hayek recognizes that, to support the free society, the socialistic intellectuals must "resist the blandishments of power and influence." But this very statement acknowledges that power and influence *are* important elements in the appeal of socialism to the intellectuals – that, indeed the intellectuals have adopted and promoted socialism precisely because of the self-interest they have in the success of their own peculiar form of syndicalism. This admission, however, raises the question of how the friends of a free society can cause the socialistic intellectuals to relinquish any part of, or to renounce attempts to enlarge or consolidate, the tremendous power and influence they wield through the alliance among themselves, the state-*fonctionnaires*, the professional politicians, and the leaders of various special-interest groups.

After all, choice between the market-economy and socialism arises today under circumstances in which the intellectuals already have the strongest interests in perpetuating and enlarging socialistic institutions. A different context existed briefly in the second half of the nineteenth century; and none the less the intellectuals of that day became partisans of the "welfare state," solidarism, the "planned economy," fascism, corporativism, guild socialism, syndicalism, farcist-syndicalism, socialism, or communism – that is, advocates of anything but the market.(46) Today, the rewards they reap from their positions in the socialistic establishment, together with the improbability that a free market would similarly remunerate and honor them, render inconceivable their sudden, penitent apostasy.

No; Hayek incorrectly premonishes us to "challeng[e] the ingenuity and imagination of [the] liveliest minds" among the intellectuals. For the problem is not to reason with the intellectuals in good faith, but to prepare defenses and counter-attacks against their aggression.

Reversion to basic principles of Anglo-American political

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

science explains the danger society faces from the socialistic intellectuals. John Locke, the fountainhead of American constitutionalism, taught that

> he who attempts to get another Man into his Absolute Power, does thereby *put himself into a State of War* with him; . . . for no body can desire to *have me in his Absolute Power*, unless it be to compel me by force to that, which is against the Right of my Freedom, *i.e.*, to make me a Slave. . . . [H]e that in the State of Society, would take away the *Freedom* belonging to those of that Society or Common-Wealth, must be supposed to design to take away from them every thing else, and so be looked on as *in a State of War*. (47)

A state of war can exist between individuals; but, as Locke made clear, it can also arise between private citizens and public officials. Locke distinguished the state of war from the state of nature:

> Men living together accoding to reason, without a common Superior on Earth, with Authority to judge between them, is *properly the State of Nature.* But force, or a declared design of force upon the Person of another, where there is no common Superior on Earth to appeal to for relief, *is the State of War . . . . Want of a common Judge with Authority, puts all Men in a State of Nature: Force without Right, upon a Man's Person, makes a State of War*, both where there is, and is not, a common judge. (48)

Because, for Locke, government is the "common judge" among men, a state of war is always possible between the people and their government

> where an appeal to the Law, and constituted Judges lies open, but the remedy is deny'd by a manifest perverting of Justice, and a barefaced wresting of the Laws, to protect or indemnifie the violence or injuries of some Men, or Party of Men. . . . For whenever violence is used, and injury done, though by hands appointed to administer Justice, it is still violence and injury, however colour'd with the Name, Pretences, or Forms of Law, the end whereof being to protect and redress the innocent, by an unbiassed application of it, to all who are under it; whenever that is not *bona fide* done, *War is made* upon the Sufferers, who having no appeal on Earth to right them, are left to the only remedy in such Cases, an appeal to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Heaven. (49)

Under these circumstances, Locke held, the victim of aggression

> may destroy a Man who makes War upon him, or has discovered an Enmity to his being, for the same Reason, that he may kill a *Wolf* or a *Lyon*; because such Men are not under the ties of the Common Law of Reason, have no other Rule, but that of Force and Violence, and so may be treated as Beasts of Prey, those dangerous and noxious Creatures, that will be sure to destroy him, whenever he falls into their Power. (50)

Now, to advance their own syndicalistic designs, the socialistic intellectuals have been foremost among those promoting "class-warfare" within American society between wage-earners and employers, consumers and entrepreneurs, the rich and the poor, blacks and whites, men and women, the young and the old, and so on. Moreover, in complicity with politicians and state-*fonctionnaires*, they have enlisted government as an ally of the aggressors through innumerable statutes, administrative regulations, and judicial decisions providing abusive legal rights, powers, privileges, or immunities for various special-interest groups – perhaps the most notorious example in contemporary law being the Norris-La Guardia Act, the statute that licenses trade-unions and their partizans to terrorize non-union workers, employers, and consumers free from the equity-jurisdiction of the federal courts. (51) Through their machinations, American government has abnegated its Lockean duty to serve as society's common, impartial judge, and bent its energies instead to "a manifest perverting of Justice, and a barefaced wresting of the Laws, to protect or indemnifie the violence or injuries of some Men, or Party of Men" under "the Name, Pretences, or Forms of Law." Ultimately, that party of men the socialistic intellectuals themselves comprise. For, notwithstanding their protestations of faith in the "social justice" of the syndicalism of the trade-unions, the farmers, the bankers, or whomever, the purpose of their perversion of government into an instrument for prosecuting "class-warfare" has always been the syndicalism of the intellectuals: the seizure of power to "plan" the lives of everyone else.

The socialistic intellectuals have thus plunged American society into a *permanent* state of war. The adjective is crucial. According to Locke, in the state of nature no government exists; yet the state of nature is not necessarily a state of war,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

only the circumstance where no single, common judge decides disputes among men. When government fails to afford all citizens equal protection of the laws, but instead participates in "class-warfare" as a mercenary aiding the aggressors, however, things are different. Abjuring its duty to judge impartially, government returns society to the state of nature. But, as well, employing its monopoly of legal force to attack now this, now that group within society, government creates and perpetuates a state of war.

This situation is worse than Lockean anarchy. For there, at least, where no one monopolizes all legal force, "there cannot be supposed any such *Subordination* among [men], that may Authorize [them] to destroy one another, as if [they] were made for one anothers uses"; (52) whereas, when government runs amok, such subordination becomes the rule.

The relationship between the socialistic intellectuals and everyone else in our society, then, is that between criminal conspirators and their victims. To engage in concerted action aimed at a criminal end is a conspiracy, even though the means to that end are themselves lawful. And the end at which the intellectuals cooperatively aim — the establishment of totalitarian "planning" under their direction and for their benefit — is as criminal an end as any end could be in a society that draws its political inspiration from Lockean precepts. For whoever, wrote Locke,

> by force goes about to invade the Rights of . . . People, and lays the foundation for *overturning* the Constitution and Frame of *any just Government*, is guilty of the greatest Crime . . . a Man is capable of, being to answer for all those mischiefs of Blood, Rapine, and Desolation, which the breaking to pieces of Governments bring on a Countrey. And he who does it, is justly to be esteemed the common Enemy and Pest of Mankind; and is to be treated accordingly. (53)

III. Conclusion

Hayek correctly emphasizes the crucial role that the socialistic intellectuals play in the development of socialism in this country. But he wrongly believes that the friends of a free society can appeal to the "good will" of these same intellectuals on behalf of the market-economy and limited government. For the socialistic intellectuals are dedicated partisans, whose goal is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to enserf American society under a totalitarian regime they and their cronies dominate.

How the American people can prevail against this aggression, and preserve their traditional freedoms, is an unanswered question. They should know by now, however, whom they cannot enlist in their cause.

FOOTNOTES

(1) 16 *U. Chi. L. Rev.* 417 (1949).

(2) *Id.* at 417. As J. Schumpeter pointed out,

> [t]his type is not easy to define. . . . Intellectuals are not a social class in the sense in which peasants or industrial laborers constitute social classes; . . . a great part of their activities consist in fighting each other and in forming the spearheads of class interests not their own. Yet they develop group attitudes and group interests sufficiently strong to make large numbers of them behave in the way that is usually associated with the concept of social classes. . . . [A] definition by means of contrast to manual labor would be much too wide. Yet the Duke of Wellington's "scribbling set" seems to be too narrow. . . .
>
> But we might do worse than take our lead from the Iron Duke. Intellectuals are in fact people who wield the power of the spoken and the written word, and one of the touches that distinguish them from other people who do the same is the absence of direct responsibility for practical affairs. This touch in general accounts for another — the absence of that first-hand knowledge of them which only actual experience can give. The critical attitude, arising no less from the intellectual's situation as an onlooker — in most cases as an outsider — than from the fact that his main chance of asserting himself lies in his actual or potential nuisance value, should add a third touch.

Capitalism, Socialism and Democracy 146-47 (3d ed. 1950) (footnotes omitted).

(3) 16 *U. Chi. L. Rev.* at 417. Schumpeter's assessment was similar:

> . . . neither the opportunity of attack nor real or fancied grievances are in themselves sufficient to produce, however strongly they may favor, the emergence of active hostility against a social order. For such an atmosphere to develop it is necessary that there be groups *to whose interest it is to work up and organize resentment, to nurse it, to voice it and to lead it.* . . . [T]he mass of the people never develops definite opinions on its own initiative. Still less is it able to articulate them and to turn them into consistent attitudes and actions. All it can do is to follow or refuse to follow such group leadership as may offer itself.

Supra note 2, at 145 (emphasis supplied). As the italicized portion indicates, Schumpeter's analysis tends in the direction advocated here. Nevertheless, he too paradoxically believed that the masses, although

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"unable to develo[p] definite opinions on [their] own initiative," are yet able "to follow *or refuse to follow*" self-appointed leaders. How the masses choose without considering "definite opinions" of their own, or why they accede to others' opinions without consulting their own "consistent attitudes," Schumpeter never explained.

(4) *E.g.*, L. von Mises, *Human Action: A Treatise on Economics* 716-861 (3d rev. ed. 1963).

(5) *See, e.g.*, Oakeshott, "The Masses in Representative Democracy," in *Freedom and Serfdom* 151 (A. Hunold ed. 1961).

(6) For suggestions as to how syndicalism may be linked to tendencies of intolerance that modern man inherited from his hominid ancestors, *see* Willhoite, "Evolution and Collective Intolerance," 39 *J. of Politics* 667 (1977).

(7) *See, e.g.*, his *Reflexiones sur la Violence* (1908).

(8) Schumpeter was therefore on the right track when he noted that

> the hostility of the intellectual group – amounting to moral disapproval of the capitalist order – is one thing, and the general hostile atmosphere which surrounds the capitalist engine is another thing. The latter is the really significant phenomenon; and it is not simply the product of the former but flows partly from independent sources . . .; so far as it does, it is raw material for the intellectual group to work on. . . . [T]he role of the intellectual consists primarily in stimulating, energizing, verbalizing and organizing this material and only secondarily in adding to it.

Supra note 2, at 153.

(9) Particularly illustrative are the early works of the English Fabians. *E.g.*, G. Cole, *Chaos and Order in Industry* (1920); *idem, Guild Socialism Re-stated* (1920); *idem, Self-Government in Industry* (5th ed. 1920); S. Webb & B. Webb, *A Constitution for the Socialist Commonwealth of Great Britain* (1920).

(10) Schumpeter begged the same question when he wrote:

> Thus, on the one hand, freedom of public discussion involving freedom to nibble at the foundations of capitalist society is inevitable in the long run. On the other hand, the intellectual group cannot help nibbling, because it lives on criticism that stings; and criticism of persons and of current events will, in a situation in which nothing is sacrosanct, fatally issue in criticism of classes and institutions.

Supra note 2, at 151. With the exception of a small band of libertarian scholars who remorselessly oppose interventionism, the vast majority of contemporary intellectuals are anything but critical of the American "welfare-state" (or, at least, of its socialistic undertakings) – even though interventionism has reigned in this country for more than half a century. Considering how rapidly intellectuals can mobilize to address the day-to-day problems of modern society, such as nuclear power, one wonders what has delayed the Schumpeterian "nibbling" and "criticism that stings" as far as socialism and interventionism are concerned. The straightforward answer is that, although the *intelligentsia* "live on criticism," they do not live on criticism of themselves and of those social institutions that particularly favor them, any more than medical doctors, who (in a sense) live on the sicknesses of others, actively promote illnesses for themselves.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(11) Perhaps within this group are the "neo-conservatives." *See, e.g.*, Shapiro, "The Neoconservatices," *Libertarian Review* 25 (Jan.-Feb. 1978); Chamberlain, Book Review, 28 *The Freeman* 445 (1978).

(12) Again, Schumpeter's remarks are germane:

> Capitalist evolution produces a labor movement which obviously is not the creation of the intellectual group. But it is not surprising that such an opportunity and the intellectual demiurge should find each other. Labor never craved intellectual leadership but intellectuals invaded labor politics. Thay had an excellent contribution to make: they verbalized the movement, supplied theories and slogans for it — class war is an excellent example — made it conscious of itself and in so doing changed its meaning. In solving this task from their own viewpoint, they naturally radicalized it, eventually imparting a revolutionary bias to the most bourgeois trade-union practices, a bias most of the non-intellectual leaders at first greatly resented.

Supra note 2, at 153-54.

(13) *E.g.*, S. Perlman, *A Theory of the Labor Movement* (1928).

(14) *Compare* Julian Benda's wide-ranging imprecations on the European *intelligentsia*, in *La Trahison des Clercs* (1928), *with* Georges Sorel's specific maledictions of the French parliamentary socialists, in *Reflexiones sur la Violence* (1908).

(15) Act of 16 June 1933, ch. 90, 48 Stat. 195, *declared unconstitutional in* A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495 (1935).

(16) Act of 12 May 1933, ch. 25, 48 Stat. 31, *declared unconstitutional in* United States v. Butler, 297 U.S. 1 (1936).

(17) Act of 5 July 1935, 49 Stat. 449, *as amended*, 29 U.S.C. § § 151-68 (1976), *declared constitutional on limited grounds in* NLRB v. Jones & Laughlin Steel Corp, 301 U.S. 1 (1937), *see* Vieira, "Of Syndicalism, Slavery and the Thirteenth Amendment: The Unconstitutionality of 'Exclusive Representation' in Public-Sector Employment," 12 *Wake Forest L. Rev.* 515, 597-610 (1976).

(18) Act of 23 December 1913, ch. 6, 38 Stat. 251.

(19) *E.g.*, G. Kolko, *The Triumph of Conservatism: A Re-Interpretation of American History, 1900-1916* (1967); *idem, Railroads and Regulation, 1877-1916* (1965); J. Weinstein, *The Corporate Ideal in the Liberal State, 1900-1918* (1968).

(20) *See* G. Garrett, *The People's Pottage* 1-114 (1965).

(21) The Austrian School of economics generally identifies three alternative systems of economic organization: the market-economy, socialism, and syndicalism. *E.g.*, L. von Mises, *A Critique of Interventionism: Inquiries into the Economic Policy and the Economic Ideology of the Present* 37 (H. Sennholz transl. 1977). Socialism, however, is actually an extreme case of syndicalism in which the gang seeks to control *all* productive relations in society, not just those in a particular trade or industry.

(22) 16 *U. Chi. L. Rev.* at 421.

(23) *Compare* Willhoite, *supra* note 6, at 682: "Certainly, systems of official intolerance will very likely persist, in large measure because of the vested interests — in power, status, and psychological security — of ruling

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

elites, but perhaps also because such systems exploit tendencies man has inherited from his primate past readily to learn hostility toward within-group symbolic and behavioral diversity and toward out-group differences."

(24) Franz Oppenheimer posits a similar dichotomy between the "economic means" and the "political means" of want-satisfaction in *The State* (1914).

(25) 16 *U. Chi. L. Rev.* at 420.

(26) Quite the opposite diagnosis of these "corporate socialists" appears in A. Sutton, *Wall Street and FDR* (1975).

(27) On the theory of human action and its relation to economic science, *see* von Mises, *supra* note 4, chs. i-x.

(28) *E.g.*, L. von Mises, *The Ultimate Foundation of Economic Science: An Essay on Method* (1962); *idem, Epistemological Problems of Economics* (1960).

(29) 16 *U. Chi. L. Rev.* at 419.

(30) *See* von Mises, *supra* note 4, ch. iii; *idem , Theory and History* ch. vii (1957).

(31) The independent attack on the market and limited government from those popularly viewed as "defenders" of *laissez faire* should not be minimized, however. *See e.g.*, Hazlitt, "The Sphere of Government. Nineteenth Century Theories: 1. John Stuart Mill," 30 *The Freeman* 26 (1980); Paul, "J.S. Mill: The Utilitarian Influence in the Demise of *Laissez-Faire*," 2 *J. Libertarian Studies* 135 (1978).

(32) 16 *U. Chi. L. Rev.* at 422-23 (footnote omitted).

(33) *E.g.*, von Mises, *supra* note 4, at 764:

> Economics does not say that . . . government interference with . . . prices . . . is unfair, bad, or infeasible. It says that such interference produces results contrary to its purpose, that it makes conditions worse, not better, *from the point of view of the government and those backing its interference.*

But why did von Mises presume that those favoring state-intervention are interested in making conditions *better* for the commonalty of mankind? Oft-times, to the contrary, they may have reasons for making conditions *worse*. Indeed, if their primary concern is with exercising power, rather than dispensing benevolence, actions aimed at increasing poverty and suffering, instead of alleviating them, may appear most expedient "from the point of view of the government and those backing its interference." (von Mises, of course, has not been unmindful of this possibility. *Supra* note 21, at 40-41).

I cannot detail here my belief that the writings of the Marquis de Sade most truly mirror the interventionistic soul – except to refer to one particularly illuminating colloquy in his masterwork that illustrates my contention that much of interventionism is designed to decrease social welfare in order to satiate the personal desires of the intervenors. The Marquis de Sade, *The 120 Days of Sodom* 361-64 (A. Wainhouse & R. Seaver transl., Grove Press ed., 1966).

(34) *E.g.*, von Mises, *supra* note 4, ch. xxvi; *idem, Socialism: An Economic and Sociological Analysis* pt. II (J. Kahane transl., new ed., 1951); T. Hoff, *Economic Calculation in the Socialistic Society* (1949); F.A. Hayek, *Individualism and Economic Order* chs. vii-ix (1948); von Mises,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"Economic Calculation in the Socialist Commonwealth," in *Collectivist Economic Planning* 87 (F.A. Hayek ed. 1935).

(35) For an example of the last-mentioned point in the now-controversial area of health-care, *see* St. John, "Washington Witch Doctors," *Reason* 23 (Oct. 1977).

(36) For an elaboration of this point, *see* L. von Mises, *Omnipotent Government: The Rise of the Total State and Total War* (1944), especially at 222-24.

(37) *Contrast* the contemporary approach to Stalin's crimes with the fawning and cringing that characterized the American *intelligentsia* during the 1930's, as described in E. Lyons, *The Red Decade* (1941).

(38) On the common roots of socialism and chattel-slavery, *see* G. Fitzhugh, *Cannibals All! Or, Slaves Without Masters* (1857), *discussed in* Vieira, "Rights and the United States Constitution: The Declension from Natural Law to Legal Positivism," 13 *Ga. L. Rev.* 1448, 1464-69 (1979).

(39) 16 *U. Chi. L. Rev.* at 423.

(40) *Id.* at 424-25.

(41) *Id.* at 426.

(42) *Id.* at 428.

(43) *Id.* at 432-33.

(44) *See, e.g.*, L. von Mises, *The Anti-Capitalistic Mentality* (1956).

(45) von Mises, *supra* note 36, at 241-42.

(46) On these forms of socialism and *pseudo*-socialism, *see* von Mises, *Socialism, supra* note 34, pt. II, § iii.

(47) J. Locke, *An Essay Concerning the True Original, Extent, and End of Civil Government* § 17 (P. Laslett ed. 1960).

(48) *Id.* § 19.

(49) *Id.* § 20.

(50) *Id.* § 16.

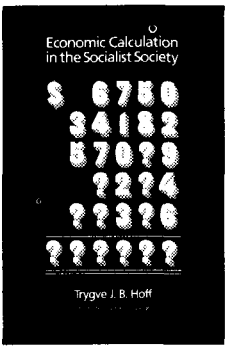
(51) For a thorough exposition of the Act, its exponents, and its perversion of American law, *see* the series of articles beginning with Petro, "Injunctions and Labor-Disputes: 1880-1932" (pt. 1), 14 *Wake Forest L. Rev.* 341 (1978).

(52) *Supra* note 47, § 6.

(53) *Id.* § 230.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

LibertyPress
LibertyClassics



Economic Calculation in the Socialist Society

By Trygve J. B. Hoff

A systematic examination of ideas and methods which socialists have proposed as substitutes for market prices in solving the problem of economic calculation. Includes a summary of critiques of socialist proposals and a survey of analyses showing the impossibility of economic calculation in the socialist society, with the author's own findings as an impartial investigator into the historical controversy.

The Introduction by Professor Karen I. Vaughn of George Mason University sets the historical and theoretical background of the debate.
Hardcover $9.00, Paperback $4.00.

Prepayment is required on all orders not for resale. We pay postage on prepaid orders. Please allow 4 to 6 weeks for delivery. *All* orders from outside the United States *must* be prepaid *in U.S. dollars*. To order, or for a copy of our catalogue, write:
Liberty*Press*/Liberty*Classics*
7440 North Shadeland, Dept. X21
Indianapolis, IN 46250

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE BRITISH POLITICAL CRISIS

By K.W. Watkins

In 1971 despite almost unanimous attack and scorn, it was possible to begin a book by writing: (1)

> "Can Britain survive as a democratic state? Some will dismiss this question as alarmist, and many would prefer that it were not raised at all."

and then to end the book:

> "Time really is getting short. Survival – the survival of a still-strong patient – will depend on the willingness of the British people to make sacrifices to secure their own future. But such a willingness will only arise from understanding and to secure that is the challenge which confronts political leadership."

In 1981, with much less time left, Britain is experiencing an acute economic crisis, mass unemployment, urban riots on a scale hitherto unknown this century, racial tension and, as demonstrated by the successful launching of the new Social Democratic Party, a weakening of the Conservative and Labour Party two-party system which has enjoyed virtually a political monopoly for the last half century. Speculation was and remains rife both domestically and internationally. But when speculation is rampant analysis becomes imperative.

Whilst the divisions in the Labour Party have received much publicity and some attention has been given to those within the Conservative Party too little attention has been given to the roots from which they sprung. Even less has been given to the fundamental, as opposed to the short-run, problems of the British economy. Yet since the evolution of the political parties has largely been a response to the evolution of the economy it is the economic situation which must be taken as the starting point.

The path Britain has taken from being the mother of the industrial revolution and the workshop-of-the-world to that of being "the sick man of Europe" in the 1970s is marked by features which remain highly relevant in the 1980s. Three phases can be distinguished:

The first phase stretched from the repeal of the Corn Laws in 1846, which made Britain permanently dependent on imported foods, to the outbreak of the First World War. The three props

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of British trading greatness already in evidence by 1870 were manufacturing, the financing of international trade and the rising pattern of overseas investment. From 1870 onwards, as other industrial giants appeared on the scene and as the Empire expanded the emphasis shifted. Relative to her growing competitors Britain invested too little in her own industries and indulged in a massive export of capital, some of it, as in Latin America, to be totally lost. She entered the epoch of a balance of payments deficit on visible trade. Until 1914 the massive invisible earnings both closed the gap and allowed for further capital exports. On the eve of the war she was a great creditor nation. By 1918, with many of the investments sold to pay for national survival, she had become transformed into a debtor state. The mere interest on the British war-debt was greater than the total sum expended in the entire pre-war budget of the government. Nevertheless, as the result of technological innovation, living standards started to rise for the majority from 1850 onwards and then, linked with the imperial expansion, grew rapidly from 1880 onwards. It was those decades which witnessed the growth of universal suffrage, the rise of modern trade unions and the birth of the Labour Party. Despite these advances memories of the hardships of the transition from an agrarian to an industrial society remained vivid and were available for political exploitation.

The second phase spans the inter-war years of 1918-1939. In them there were three main economic features:

1. It is fashionable to balance the decline of such old staples as mining, ship-building and textiles against the development of the new motor and aviation industries. In essence, however, there was insufficient capital investment at home; industries were not re-equipped on a sufficient scale and the more advanced technologies available were not used to anything like their potential advantage.

2. There was a continuing emphasis on the export of capital. This was part of an attempt – bound to be a failure – to return to the "normalcy" of the pre-1914 situation.

3. There was a continued neglect of agriculture. It is sufficient to note that in the three years ending 1937 – five years after Britain had agreed on its protection – 262,000 acres were lost to agriculture and 42,000 men left the land.

These two decades were marked by political events which exercise a profound influence to this day. The 1917 Bolshevik

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Revolution presented not only a challenge to a 'capitalist' liberal-democratic Britain as such but marked the beginning of the all-out Marxist struggle for control of Trade Unions and Labour Party. The General Strike of 1926 left a bitterness between capital and labor which was re-inforced in Labour circles, however illogically, by the experience of the mass unemployment and acute poverty which resulted from the world depression. By no means least, the appeasement policy of the Chamberlain-led National Government at the end of the 1930s divided a generation despite the heroic efforts of Winston Churchill and his group in the Conservative Party.

The 1930s, especially when the Comintern adopted the policy of the so-called 'United Front' (after Hitler gained power in 1933 and Stalin felt himself threatened) was a decade in which the Communists sought formal affiliation to the Labour Party (this was repulsed by the then leadership) and to capture key positions in the trade union movement. In this they were partially successful. All this is on record in the verbatim Reports of the Annual Labour Party Conferences and the Trades Union Congresses. There was violent opposition at both the T.U.C. and Labour Party to British re-armament. However, the Marxists and their allies were defeated because of the then structure of these organizations and the patriotic leadership given by such men as the great trade union leader Ernest Bevin (later Foreign Secretary in Attlee's first post-1945 Labour Government, Walter Citrine (General Secretary of the T.U.C.) and Hugh Dalton (later Attlee's Chancellor of the Exchequer. But the roots of the present lie in the past.

The third phase, the years after 1945, shows a complex of interrelated factors at work in the economy. The most important were: the strain which the war imposed on the economy; growing dependence on the United States from the 1947 Loan onwards; an impossibly high level of overseas military expenditure in the immediate post-war years; initially an attempt to maintain an imperial role with a large export of capital and, above all, the practice of awarding the British people higher standards of living than the economy could sustain (given the other claims being made on its resources) instead of strengthening the economy first and taking the rewards afterwards.

Under the British electoral system in which governments have a maximum of five years before they must 'go to the people'

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

there developed a system of 'auction politics.' Each party accused its opponents of incompetence or worse and promised that, if elected, it would provide more 'goodies' than its opponents would. This process continued for over a quarter of a century on the basis of Stop-Go economic policies, massive external borrowing and an escalation of the national debt. In addition, both parties held a neo-Keynesian faith that all this and full employment too could be maintained under a gently rising rate of inflation. Despite the struggle for office and its perks consensus ruled the day. The problems, however, were not purely British.

In 1971 it was possible to foresee the present world recession and the particular British crisis within it well over a decade ago. The repudiation of the gold-exchange value of the United States dollar in 1971 (on 13th August, followed by the system of the Smithsonian Agreement) demonstrated the pressures on the dollar. Subsequently there has been no restructuring of the world monetary system as was necessary and thus inflation has continued unabated (though with accelerations and rallentandos) throughout the past decade. Indeed the inflation of the international basic money unit – dollars outside the control of the United States monetary authorities – must provoke inflation in all countries' domestic markets (including those of the U.S.A.) Thus if one looks at both the British factors and the international monetary factor one ceases to attach too much importance to the 'oil crisis.' Even so the fortuitous asset of North Sea oil has eased Britain's situation in the short-run.

A combination of post-war circumstances, and especially the impact of government policies, whichever party was in power, led to rising living standards for the mass of the people. Little wonder that no government, of either party, was heeded when it mentioned, however hesitantly, the country's long-term economic prospects and a possible need for industrial restructuring. Under these conditions the trades unions pressed ahead with the wide-spread imposition of the closed shop whilst at the same time the Communists worked to strengthen their position in the trade union movement and the Trotskyists sought to penetrate the Labour Party at a local level.

In 1981 it is clear that the British chickens have come home to roost. One in ten of the labour force is now unemployed. The Gross National Product is falling not rising. There is still far

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

too low a level of domestic investment. Whilst the monthly statistics show a balance of payments surplus this is overwhelmingly due to the bonus of North Sea oil. That asset will cease to be effective by about 1990. Above all, the crucial battle against inflation is now being fought against mounting cries for a reflation of the economy. What is economically necessary may yet prove to be politically and socially impossible. What is certain however is that unless British industry has been restructured by 1990 and is capable of holding its own in a technologically more advanced and competitive world the road will lie open to a massive balance of payments crisis leading to hyper-inflation and, with that, the collapse of the present polity. It is against this scenario that the position of the political parties must be examined.

The Labour Party

The British Labour Party, unlike any other Socialist Party in Western Europe, is both the creation and the creature of the Trade Unions which supply some 90% of its finance. This is derived from the so-called 'political-levy' which each worker pays as part of his union subscription unless he goes to the length of signing the form which enables him to 'contract out.' At Labour Party conferences individual unions cast what is called a 'card vote' according to the number of their members who have paid the political levy. For example, the Transport and General Workers Union has a card vote of well over one million. The trade union card votes outnumber many times over the card votes of local (constituency) Labour Party organizations which are geared to the totals of individually paid-up local members. Thus, policy is decided by the big unions. In passing it should be mentioned that the compulsory closed shop in industry helps both to swell the card votes of the unions and to provide a larger political chest for the Labour Party. But the unions themselves differ enormously. For example, in some the general-secretary and president come up for regular re-election, in others they are elected for life and in yet others the general-secretary is appointed not elected. Some unions consult their rank-and-file as to how they should vote on major political questions. In others the decision may be taken by the executive committee without reference to the membership. Hence Shirley

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Williams' comment on the development of a species of union barons. More important, union policy and hence decisions as to how to vote at the Labour Party conferences can be strongly influenced by those who are, in fact, not members of the Labour Party at all. Such people may range from Communist to Conservative but it is the Communists and other Marxists who see the unions as their road to power.

Over the last decade there has also been a profound change in the local constituency Labour Parties. The Management Committee, the body which selects the candidates for Parliamentary and local elections consists of delegates from local party wards and affiliated union branches. The Communists can exert pressure via the union branches. Trotskyists and others belonging to the so-called Militant Tendency have joined the local wards as individual members and can thus become members of the *Management* Committee. Thus in a number of constituencies ordinary working men and women have been replaced by groups of activist Marxist college lecturers, media people and students from the wards and hand-picked and vetted people from union branches. Their aim is to deprive the M.P. of his freedom of judgment and action and to replace him if he will not accept their discipline. Whereas formerly a hard-working and conscientious M.P. could expect to hold his seat for his political career, he now faces, as the result of the Conference decision last autumn, a re-selection process before every general election. In other words an M.P. is in essence no longer answerable to the electorate but can be controlled by a couple of dozen Marxists.

However it was not the selection of candidates but the election of the Leader of the Parliamentary Labour Party that led to the great schism at the January Labour Party Conference. Hitherto he had been elected by the free vote of all the individual Labour M.P.s in the Parliamentary Labour Party (the P.L.P.). By definition the Leader of the P.L.P. would be the Prime Minister in a future Labour Government. The Conference decided to establish an electoral college which would elect both the Leader and the Deputy. The votes of the college would be distributed as follows: 50% to the trade unions; 25% to the members of the P.L.P. and 25% to the constituency parties. The left had triumphed and this led to the birth of the Social Democratic Party. Whilst efforts will be made to change this at the 1981 autumn conference (Michael Foot the party leader was

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

humiliated at his first conference as leader as he had worked frantically to try to get 50% of the votes for the P.L.P.) what is even more important is the policies to which the Labour Party is now committed. The three most important points are:

1. the irreversible socialization of the economy.
2. Withdrawal from the Common Market.
3. Unilateral nuclear disarmament.

The magnitude of the change which has occurred can be demonstrated in yet another way. From the 1930s onwards when Ernest Bevin and his colleagues were the key figures in the trade union movement and Attlee led the Labour Party, Communists could not be members of the Labour Party. Furthere, all Communist-front organizations were 'proscribed', i.e. any associate with them was regarded as incompatable with membership of the Labour Party. Today there are Labour leaders who appear on Communist platforms, write in the Communist press and are full-time fellow travellers. Those who are expelled from the Labour Party are life-long Social Democrats such as Drs. Haseler and Eden the founders of the Social Democratic Alliance. It is the total change which has occurred which makes the birth of the Social Democratic Party so significant. Yet its future is beset with difficulties. Many "Right-Wing" Labour M.P.s will remain in the present Labour Party. Some will do so out of a sincere conviction that they have a duty to 'fight from within' and reverse all the present policies. Others will remain for more personal and less worthy reasons. Some trade union leaders will attempt to reverse the decision in the autumn. Again some will act out of democratic principle whilst others will merely be seeking to mask the extent of their power. The future of the Labour Party is uncertain but the days when the fundamental divisions in the Labour Party could be papered over and manipulated by Wilson and Callaghan belong to history. Whilst it would be rash to equate Benn and his campaign for leadership with the role of Kerensky it would possibly be wise to prepare for Marxist control of the Labour Party.

The Conservative Party

The economic situation which Margaret Thatcher inherited has already been analyzed. After several decades Britain gained a Prime Minister who was both prepared to tell the people the truth and to fight courageously to try and rescue Britain. But

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

she does not preside over a united Cabinet, Government and Party. Indeed, there are those who joyfully anticipate her eventual defeat and downfall. It would be easy to critize the selection and composition of her first Cabinet appointments and also her first small re-shuffle in January this year. But a Prime Minister of any party is to some extent the prisoner of different groups and interests within a party.

After an initial upsurge the rate of inflation has begun to fall. Part of the price paid has been the massive growth in unemployment – it cannot all be blamed on the international situation. The level of both government borrowing and spending remains too high. Lame ducks, particularly in the public sector, continue to be helped/rescued at the cost of the private sector – but politics is the art of the possible. The export of capital takes place on a considerable scale and only a blind optimist would be confident as to the future security of much of it. At the same time, the import of capital, stimulated by high interest rates, represents not only a degree of loss of national independence but is a hostage for the future balance of payments. Those same interest rates are an obstacle to domestic investment. Whilst it is possible to argue that the economic policy proclaimed during the election has not been pursued with sufficient vigor it is necessary to recognize the existence of the forces, Keynesian to the end, who would implement a reflationary policy which would yield a consumer-led boom in the short run before it gave way to yet even higher inflation and unemployment. Yet as this government passes its half-way mark it is necessary to recognize that this so-called alternative policy will be pressed even more strongly as an electoral expedient. One can anticipate sharper and more public divisions. It is not only on the back-benches that there are potential recruits for a "Centre Party."

Possibly the most amazing political position in the government is that taken by James Prior who seems determined to earn for himself the title of "The Last Defender of the Closed Shop." No-one would wish to question his sincerity, but the mind is baffled by his total failure to comprehend that some of the union leaders with whom he dines and wines in the interest of good industrial relations have a life-long and total ideological dedication to the destruction of existing British society and its replacement by a Marxist state.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Social Democratic Party and the Liberal Party

Whilst the birth of the Social Democratic Party was the result of the Marxist versus anti-Marxist struggles inside the Labour Party it presents no less a challenge to the Conservative Party. Indeed, polls show that if the Social Democratic Party and the Liberal Party can unite to fight the next general election they can expect to win at least enough seats to become a controlling force in the next Parliament. Some of their leaders hope to do even better and form a government, but two years is an even longer time in politics than Wilson's one week. Further, not least at a local level and in terms of personal political ambition, it is impossible to make a dogmatic forecast that harmony will continue to reign between them.

What is important is to recognize the massive emotional response these two parties are arousing in Britain. The Marxists in the Labour Party are regarded as totally unacceptable save by those who would vote for anything or anyone standing on a Labour ticket. Margaret Thatcher has been inaccurately characterized as an extreme Right-Wing Prime Minister. This has been done by skilled propaganda against monetarist economic theory and has been aided by both the divisions in the Conservative Government and the poor public presentation of its policy.

In responding to this new alliance, large numbers of the British people are looking for moderation, toleration, consensus and all that history has taught them to value. What they fail to understand is that the new alliance has nothing to offer in terms of an economic policy which can solve the country's fundamental problems. They have not reached the stage of understanding that there is no easy, comfortable, painless solution. In the short run they can be deluded. How they will react in the long run is another matter.

The British situation is confused and difficult but the key factor remains crystal clear. At rock bottom there is a choice between seeking to defend and improve an imperfect political economy or succumbing to the blandishments of those who proclaim that a collectivist state could solve all the problems whilst omitting to mention that it would guarantee the loss of individual freedom. It is thus at the level of the battle of ideas that the final struggle will be fought out. Other free countries, please note!

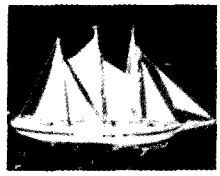
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EXPERIENCE A NEW YOU.

Mix gin clear water with bone white beaches, stir in an enthusiastic crew and lively shipmates, top it off with star bright nights filled with steel drum rhythms and bake under a Caribbean sun for seven delicious days.

The results are a New You who has experienced more living in one week than you thought possible in a lifetime!

Your share in the Windjammer adventure can be as little as $425. Call us Toll Free at 1-800-327-2600 or mail off our coupon and we'll send you the rest of our recipe.



Cap'n Mike:
I hear the call to adventure! Please send me my free full color Great Adventure booklet by return mail.

Name _____

Address _____

City _____

State/Zip _____ Dept.

Windjammer 'Barefoot' Cruises LTD.

P.O. Box 120, Miami Beach, Fla. 33139

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NORDIC DEFENSE – IS THE FLANK BEING TURNED?

By Talbot S. Lindström

Introduction

Sweden and Finland are both relatively neglected "unknowns" in respect to the defense of western Europe. Finland is approaching a crucial time when President Kekkonen, who has been the dominant or significant personality in Finnish policy since 1943, will hand over power to a successor. The question that Finland faces may be the same that Afghanistan faced a few years ago – whether to permit the continuation of the process of absorption by the USSR or to attempt to turn back toward a more meaningful neutrality.

Sweden has become disturbed both by the ongoing trends in Finland, and the rapidity, strength and lack of embarrassment in Soviet actions in Afghanistan. Sweden is thus in the process of a major reevaluation of the credibility of its armed neutrality via-a-vis the USSR. This comes at a time when the cumulative effects of a decade of wishful thinking in Swedish defense policy have resulted in an obvious qualitative and quantitative deterioration in the Swedish armed forces.

If NATO's Northern Flank is dependent, to any degree, upon the ability of Sweden to actively defend its neutrality from Soviet surprise attack, it is a risky dependency. If NATO is counting upon at least passive Finnish neutrality, the reality could be even more unpleasant.

While noboby is anxious to witness a nuclear war, the question of nuclear-free "war zones" has in Scandinavia become the thin-edge of a Soviet instigated wedge aimed at neutralizing the entire Scandinavian area, or a step towards absorbing Scandinavia into the Soviet bloc.

* Mr. Lindstrom has written extensively in geopolitics, trade, law and economic issues. He is an attorney active in government affairs. He has had extensive involvement in defense matters and is currently an official with a U.S. government agency dealing in trade matters. His views are his own entirely and do not reflect those of his agency or the government.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Finland – Shield or Sword; and Whose?

On June 26, 1981 the Finnish newspaper *Suomen Sosiali Demokratti* (Finnish Social Democracy) quoted Soviet Communist Party Chairman and President Brezhnev that: "The Soviet Union for its part is prepared to assume an obligation not to use nuclear weapons against the north European countries which will participate in the nuclear-free zones."(1) This statement, made by Brezhnev in response to questions posed by the Finnish paper, represents a line of policy continuity vocalized by key Finnish leaders with purported Soviet support going back to at least 1963.

At that time President Kekkonen proposed a plan for a "nuclear-free Northern Europe" which " would indisputably remove the Scandinavian countries from the realm of speculation which the development of nuclear weapons strategy has caused and would insure that the area would remain outside international tension."(2) The idea had been kept alive over the years, especially since the key "detente" year of 1971, by Finnish diplomats in the United Nations.

In fact, the leadership of the Social Democratic parties of Norway, Denmark, Sweden and Finland formally adopted the concept at a meeting held in Bommensvik, Sweden only a few weeks prior to the Brezhnev statement. At a meeting on May 16, 1981, attended by Danish Prime Minister Anker Joergensen and three former Nordic prime ministers – Olof Palme, Trygve Bratteli, and Kalevi Sorsa – as well as national union leaders from the four countries, there was reportedly agreement to "attempt to create a nuclear-weapons-free zone in the North." An experienced American national security analyst has stated that "a nuclear-free Scandinavia would so greatly facilitate Soviet military operations out of Murmansk in case of war..."(3) However, Norway's Defense Minister Thorvald Stoltenberg was quoted after the Bommensvik meeting in the Swedish press as stating: "We do not plan to be satisfied with a Nordic declaration, but instead hope to contribute to a completely nuclear weapon free Europe."(4)

Interestingly, President Kekkonen's original proposal, according to his biographers,(5) has its roots in "the basic idea behind Kekkonen's peace policy – the idea he outlined in his Stockholm speech of 1943. The goal is Finnish neutrality, achieved through an understanding with the Soviet Union and based on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cooperation between the Scandinavian countries."(6) President Kekkonen's 1943 goal of the creation of a "neutral zone encompassing all of Northern Europe"(7) was apparently made impossible by Norway and Denmark joining NATO. However at the end of 1951 the Soviet Union allegedly sent out feelers that it would accept the creation of a neutral Nordic defense alliance if Norway and Denmark withdrew from NATO.(8) According to the Danish journal *International analyse*, "it was therefore not considered as an accident that Prime Minister Kekkonen approximatley one month later – the 23rd of January 1952 – in his so-called "pyjama" speech suggested that it would be best for Finland as well as the entire North if Denmark and Norway became neutral."(9) According to Kekkonen's 1952 pyjama speech, a neutral Nordic bloc would remove "even the theoretical threat of an attack against the Soviet Union through Finnish territory."(10)

In 1965 President Kekkonen, in a Helsinki speech, suggested another variation of his theme of a neutral, nuclear free Nordic area. He proposed an agreement between Finland and Norway "that would protect their mutual frontier from any possible military action, including 'a conflict involving the great powers'"(11)

Reaction in Norway to Kekkonen's proposals has not been uniformly enthusiastic. According to J.J. Holsti in the journal *Ulkopolitiikka* in 1975, "In joining a nuclear free zone in Northern Europe, Norway would in fact cut itself off from the defense arrangements of the Atlantic alliance."(12) The Norwegian press reported in February 1977 that during an official visit by President Kekkonen in Norway during the prior September he had indicated that Finland had concerns over which of Norway's NATO allies Norway had an ongoing military cooperation with.(13) This press report led to an "intensive debate in both Norway and Finland and contributed to an acute worsening of relations between the two countries."(14) And in the context of the present Nordic social democratic proposals for a nuclear-free zone, the substantial Norwegian conservative party is reportedly against the idea.(15)

To understand the importance of an open endorsement of the nuclear-free portion of Finnish President Kekkonen's neutral Nordic area "line"(16) by the dominant political parties in the area, it may be worthwhile to review how certain of the Finnish leadership understands the content of neutrality. In a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

speech in Moscow on February 24, 1965, President Kekkonen, (*in the Finnish version of his remarks*) said that Finland could uphold its neutrality "only under the premise that peace in Europe was maintained."(17) In other words, Finland could not maintain its "neutral" position in the event of war in Europe. However, in an interview designed for the Swedish public in the Swedish paper *Dagens Nyheter* a year and a half later, President Kekkonen rephrased his statement on neutrality to correspond more nearly to the Swedish concept of neutrality in both peace and war:

> "We strive to hold Finland in peace time outside of the disputes of the great powers and the great power blocks and in the event of a conflict between them to maintain Finland's neutrality."(18)

The theme of the Finnish Parliament's Defense Committee is similar:

> "For us it is extremely important to, in accordance with our freedom of action, be able to undertake our measures so that our neutrality could also remain in an eventual crises situation..."(19)

And this then was echoed in an April 16, 1973 speech in Helsinki by the former Finnish Defense Minister on the 25th Anniversary of the Finnish-Soviet Friendship and Assistance Pact.(20)

However, influential political and governmental elements in Finland give support to the Moscow version of Finnish neutrality. Pertti Joenniemi, one of the secretaries in the Finnish Parliamentary Defense Committee in the early 1970s and Jaakko Blomberg, in 1975 Bureau Chief in the Finnish Foreign Ministry's Political Section, published a monogram examining the 1971 Finnish Parliamentary Defense Committee's pronouncements on defense policy and the ensuing debate thereon.(21) In their view, the maintenance of Finnish neutrality should not be the primary goal for Finnish security policy and much less so in the event of a tense international situation. Instead, "The primary objective ought to be to preserve the Soviet Union's trust, to uphold the security association which the two nations together constitute."(22) According to the Blomberg-Joenniemi monogram, *Kaksiteraeinen miekka* ("The Two-Edged Sword"), while the Finnish military has as its objective Finnish neutrality in both peace and war, the Finnish diplomatic corps has the more realistic objective of neutrality in peacetime "with con-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

sideration of the possibility of military cooperation with the Soviet Union in the event of an armed conflict."(23)

In spite of the allegation from the Left in Finland that the Finnish military are unrealistically seeking to preserve Finland's neutrality even in wartime, there have been disquieting reports of Finnish military cooperation with the USSR. already in peacetime. During a summer 1978 visit to Finland, Soviet Defense Minister Dimitri Ustinov "reportedly urged joint army maneuvers."(24) On September 20, 1978, as reported in the Soviet Armed Forces journal *Krasnayą Zvezda*, Finnish Commander-in-Chief General Lauti Sutela and Soviet General Staff Chief Marshall Nikolai V. Ogarkov agreed to a military cooperation program for 1979. The agreement assertedly provided for an "exchange of visits by military leaders and ships, air forces, air force sub-units, delegations from military training establishments, and other corresponding measures."(25) This action had been preceded, according to a March 15, 1977 Soviet *Krasnaya Zvezda* article by a Soviet military "education" delegation's visit to Finland to "familiarize itself with the Finnish defense forces, military educational establishments, and the officer cadre training system in the country."(26)

During the same fall of 1978 as the military "cooperation" agreement was signed, the Finnish parliament authorized "acceptance" of a 50 million-ruble military purchase credit from the U.S.S.R. for the purchase of "special material." In accordance with Soviet wishes, only members of the relevant Finnish parliamentary committee were given confidential information on what the funds were to be used for, although the Scandinavian press reported it was to cover SAM-3 air defense missiles for Helsinki and previously ordered MIG-21 aircraft.(27)

In addition, in the same general time frame, Finland undertook the largest peacetime reorganization of its armed forces to date, including the expansion of a ranger (jaeger) batallion to a brigade by 1980 and the rebasing of an aircraft squadron and an antiaircraft batallion to enhance its military in Lappland, the only area where Finland has common borders with Norway and Sweden.(28) By 1979, according to a Swedish war college ('Militaerhoegskolan") lecturer and military writer, the status of Finland's military forces was as follows:

> "Finland has adopted a universal military service and mobilization system of principally Swedish type. *However,* in Finland there is great importance placed on the army's

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

preparaedness *in peacetime*. Draftees therefore are called in several batches during the year....Borders and coasts are guarded even in peacetime by *special border troops* with permanent [in contrast to draftee] personnel....Approximately half the fleet is maintained armed and is based at Åbo [in the *West*] and Helsinki....The coast artillery is also concentrated to *southwest* Finland. It has modern pieces and is in general relatively strong.

"The air force is equipped with a limited number of [Swedish] J35 Draken and MIG 21s, in addition to trainers, some of which are armed....The civil and economic defense systems are well developed. Finland is self-sufficient in food.

"Mobilization is considered to vary between *6 hours* and 6 days....In total there are *one million* [militarily] trained men [out of a total population of some four million], but there is equipment for only 600,000 to 700,000. The equipment is mixed as to both origin and age, *but a large portion is fully modern*....

"With reference to the interests and possibilities of the great powers in the North, northern Finland and western Finland, inclusive of Åland [islands] are the priority areas." [Emphasis added] (29)

As of March 1981, the final report of the Third Finnish Parliament Defense Committee (supported almost unanimously by the members and parties represented, exclusive of the communists) called for a 3.8% yearly increase in defense outlays during the five-year period 1982-1986, with primary emphasis on the army and especially its firepower and mobility.(30) This may be contrasted to the average 5% yearly increase during the preceding five year period.(31) According to an interview with a "well-placed" Finnish Social Democratic source, a relatively strong defense is a precondition for Finland's continued independence and neutrality.(32)

That, however, may be the question. Given the reportedly increased Finnish-Soviet military cooperation since the onset of "detente" (which may have had its official inception with SALT I talks in Helsinki), is the buildup *in fact* aimed at enabling Finland to more effectively defend its "neutrality" in wartime and to reduce any excuse for the Soviets to invoke the military "assistance" provisions of the 1948 Friendship and Assistance Pact? Or does the existence of the Pact itself, the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

apparent increasingly close cooperation of Finland's armed forces with those of the USSR, the virtually indefensible 900 mile long Finnish border with the Soviet Union, and the increasing economic integration of the Finnish economy with that of the USSR(33) and the Warsaw Pact portend a different goal?

The degree of economic dependence is demonstrated by the fact that Finland is reportedly "critically dependent upon Soviet supplies of energy (oil, gas, electricity, and coal), for which it need not pay in hard currency."(34) The USSR is Finland's largest single trading partner, exceeded only by the EEC as a whole. In January-February 1981, 20.7% of Finland's imports came from the USSR and 23.0% of its exports went there.(35) In 1980, USSR trade with Finland was up 49%.(36) Most of Finland's foreign engineering and construction projects are in the USSR, with the Soviet Union accounting for approximately 50% of the value of such projects.(37)

As to the military aspects of and interpretation of the military "assistance" articles of the 1948 Pact, there is also an ongoing debate in Finland as a result of the 1981 Report of the Third Parliamentary Defense Committee.(38) This debate on the meaning of Articles 1 and 2 of the Pact(39) is the first major open public discussion since the Finnish Parliament, against its will (in the absence of any US or Western support to counter Soviet pressure) and with openly expressed fears, ratified the pact in April of 1948.(40) During the Defense Committee discussions, Under Secretary of State Keijo Korhonen proposed that "A condition for assistance is that the attack referenced in the Pact has already taken place."(41) This formulation had been taken directly from President Kekkonen's new book *Tamminiemi,* but after violent opposition from left Socialist and Communist members of the Defense Committee, the Committee compromised on a reiteration of the language of the 1976 Defense Committee Report. That language provided that "the military-political articles can be applied when an attack has occurred or when the threat of such an attack has been found to exist by both sides."(42)

The "retreat" of the Defense Committee was then criticized by former Finnish Ambassador to the UN and Sweden, Max Jakobson. He reportedly asserted that the Committee had opened the door for Soviet military "assistance" in a crises situation when there was only the "threat" of an attack present.(43) He was strongly attacked by both the Communists and left

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Social Democrats and on May 13, 1981, assistant Soviet regime chief Ivan Archipov, on an official Soviet trade visit to Finland, asserted "in unusually strong language that 'all articles' in the Pact ' also in our times have completely retained their actuality."(44) Two days later Soviet Ambassador to Finland, V.M. Sobolev made very clear that the Pact "in all its articles had retained its actuality and its original meaning' for both countries."(45) A clue as to the Soviet view of the "original meaning" of the Pact is found in a 1975 Soviet book published in both the USSR and Finland in 1974, *Finland Finds Its Line* under the pseudonym Juri Komissarov. Komissarov approvingly cites the foreign policy views of the Bloomberg-Joenniemi monogram. He also says that to see the 1948 Finnish-Soviet Pact as a pact to guarantee Finland's neutrality is incorrect. Its focal point is instead the planned Soviet-Finnish military cooperation.(46) This view may explain why the pact was *extended* for 20 years in 1970 – a full five years before its expiration.(47) This at least raises the spector of a joint Finnish-Soviet military operations. A possible scenario could be for the Soviets to use Finnish territory to give more rapid and easier access to both Finnmark in Norway and to northern Sweden for a thrust into Norway to cut off Norwegian and Allied reinforcements trying to reach Finnmark. Finnish forces in this scenario would not be used "aggressively" to attack their Scandinavian neighbors, but only to defend Finland's territory and airspace against Allied, Norwegian or Swedish counterattacks on Soviet forces transiting "neutral" Finland.

Such a strategy would place Swedish territory clearly on the front lines of East-West confrontation and force a considerable rethinking of the Swedish defense posture. The suggested scenario is not unthinkable, and possibly latent national and class antagonisms might be able to be fueled to produce an enthusiastic Finnish defense against Swedish attempts to intercept Soviet forces on Finnish territory.

The Swedish Piece in the Northern Flank Mosaic

With reference to Sweden and NATO's Northern Flank, the August 1979 issue of *International Defense Review* said:

> "As far as the Northern Flank itself is concerned, unless improvements are made in NATO's posture perhaps the greatest deterrent to Moscow is the element of uncertainty

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

posed by presently neutral Sweden."(48)

And traditionally, Sweden has in reality been anything but neutral where Finland is concerned. Finland has been a dominant factor in Swedish foreign and military policy since the Finnish provinces were lost to Russia during the Napoleonic Wars at the beginning of the 19th century. (1809) From the early middle ages until that time, Finland had been an integral part of the Swedish Kingdom. A large portion of its population was and still is of Swedish origin and Finland is still officially (and practically in the western portions of the country and the capital) bilingual. To a significant degree, Finnish commerce and industry has been under the influence of Sweden or Finnish Swedes. In, for example, the months of January-February 1981, Sweden supplied 12.6% of Finland's imports (3rd after the USSR and West Germany) and took 12.7% of its exports (2nd after the USSR).(49) During the Finnish revolt against Russia and the red-white civil war of 1917-20, Sweden supplied both men and arms in significant quantities to the victorious white forces under the command of Marshal Mannerheim. Again when Finland was subjected to a surprise attack by the full might of the Soviet Red Army in the 1939 Winter War after refusing to cede parts of its territory to the USSR, significant numbers of Swedish officers served as volunteers in Finland and Sweden supplied substantial military and economic assistance. Finally, during the debate within Sweden over whether to continue its policy of neutrality backed by a strong, independent defense when Norway, Denmark and Iceland decided to join NATO, the impact that a Swedish decision to associate in some form defense-wise with these NATO-members Scandinavian nations on continued Finnish independence and freedom from direct Soviet control was reportedly an important factor in Sweden's decision to remain free of defense alliances.

However, the trend of recent Soviet actions with respect to Finland, Afganistan and Poland have not gone unnoticed in Sweden. Recently there have been indications from the defense community in Sweden that just as Denmark and Norway can remove their voluntarily imposed, assertedly tension-reducing limits on NATO forces and weapons on their territories in the event of changed circumstances, Sweden could reconsider its voluntary policy of freedom from alliance in the event of a foreign occupation of Finland.(50)

Afganistan was not only an awakening for the Carter Ad-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ministration as to Soviet intentions. Up to that time, Sweden appears to have relied almost as much as the United States on the US-USSR arms limitations agreements as a part of its defense strategy. As succinctly put by a Swedish Member of Parliament and State Secretary, Carl Bildt,(51) in June of 1980:

> "Sweden, as few other countries, built its foreign policy, and in some degree its defense policy, on the belief and the hope in the reality of detente. When the direction of Swedish defense policy was adjusted at the end of the 60s and beginning of the 70s,(52) this occurred with specific reference to relaxation [of tensions] and to the reduction of the international armaments which this was expected to bring....
>
> "The invasion of Afganistan must lead to a deepened debate on super-power relations and our security policy. And it must above all lead to an open discussion of that question which is absolutely of determinative importance for our foreign as well as defense policy, namely how the development of Soviet power will impact upon a land as Sweden during the dangerous decade which is judged to lie ahead of us."(53)

Mr. Bildt then goes on to note rather pointedly that while "[i] t would certainly be jumping to conclusions to attempt to draw any parallels between the situations on the Soviet Union's southern and on its *northwestern border*,"

> "It must still be stated that the intervention threshold of the Soviet Union has been reduced by this attack on an alliance-free land. And not the least distrubing for countries in areas near the Soviet Union must be that this intervention could take place so rapidly and unembarrassedly."(54)

The Soviet Afganistan invasion, as underlined by Soviet reaction to the sequence of events that began in Poland in June 1980, caused the Swedish Government's Defense Committee, given the task in 1978 of preparing proposals on overall Swedish total defense strategy for the 80s (military, civil, economic and psychological), to take these events into account in its second interim report submitted in February 1981.(55) Among the factors the government told the Defense Committee to take into account was "the ability of a super power to quickly concentrate significant military forces for rapid operations which

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the invasion of Afganistan posed an example of."(56)

The February interim Report states:

> "The Nordic area is judged by the Defense Committee to have gained increased *strategic importance in recent years*. The most obvious cause of this is the powerful buildup of the Soviet Northern Fleet, the Soviet naval base on the Kola Peninsula, and the stationing there of the major part of the Soviet Union's strategic submarine fleet. In the event of war between the major power blocs in Europe, *the Committee considers it possible that even in the preliminary phases there can be a race between the blocs for strategic positions in the northern seas*, and that Sweden can be of interest as a transit area both on land and in the air. A conclusion which the Committee has drawn from this is that the defense of upper [northern] Norrland must be given special weight in our defense planning. The same is true of the southwestern portions of the country, which are of great strategic importance, among other reasons from the aspect of control of the outlet of the Baltic." [Emphasis added] (57)

The Report also singled out the Swedish island of Gotland, lying close to Soviet territorial waters, as an area (as well as northern Sweden) where even in peacetime the military preparedness and training levels must be especially high.(58)

Also quoted in the Report are similar remarks by the Commander-in-Chief of the Swedish forces:

> "The Commander-in-Chief asserts, in accordance with the Defense Committee, that the Nordic area in the event of war in Europe can be so strategically important that already in the beginning it can be subjected to military operations. There is, in that context, reason to give a reminder that *Sweden geographically comprises about half of the border zone through Europe between NATO and the WP.*" [Emphasis added] (59)

The Interim Report also took note of the comments of the Royal War Academy ("Kungliga krigsvetenskapsakademien") on the current, overall strategic posture of the USSR:

> "[The] northern area's increased strategic importance *is not* off set by a reduction [in importance] concerning the area around the Baltic and its outlet. It ought, from the standpoint of the major powers, to rather be so that the [entire] North, together with its surrounding seas, has in-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

creased in importance. The expansion of the Murmansk base as such is not the cause of this increased importance. *It is a result of the Soviet Union's increased strategic ambitions which in and of themselves mean that increased importance must be accorded to the Nordic area.*" [Emphasis added] (60)

Contributing to Sweden's obviously heightened degree of threat perception have been two articles which recently appeared in the Swedish papers. They represent a first in Swedish-Soviet relations. On Tuesday, November 17, 1980, an article reportedly appeared in the Stockholm paper, *Dagens Nyheter*, by a Soviet journalist active in Sweden, Ilja Barinkas. This article referenced a "sharp" Soviet warning about the proposed new nuclear missiles for America's NATO allies and alluded to the danger that as a result a nuclear war could be "let loose over Sweden," This was followed just a few months later by an article in the Swedish paper *Svenska Dagbladet* by an alleged Soviet officer General Rair Simonjan. The article began by saying that:

> "The NATO decision on the so-called European strategic robots makes the Europeans the Pentagon's hostages. The Americans' European robots create the risk that *any country* in Europe can be directly subjected to a nuclear war."

It concluded by saying:

> "If a cruise missle (robot) collides with something in the air or is hit by a projectile or antirobot, the result will be a nuclear explosion. The Americans will naturally not ask their NATO allies, *much less neutral countries*, for permission to sue these missiles or to overfly with these missiles....And as the flying time for these missiles to Soviet territory is very short, it is not out of the question that they can be caught and made harmless somewhere along their flight path. There is thus nothing which guarantees that the result won't be a nuclear explosion over countries that have nothing to do with these missiles."

In other words, it is suggested that Swedish air space may now be considered by the Soviets to be within the Soviet air defense perimeter. Interestingly enough, this article followed by only a month the Parliamentary Defense Committee Interim Report in which the cruise missile question/risk was specifically commented upon:

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> "The Committee considers that this risk should be seen in a wider military-strategic context. Without question these developments will lead to increased risks in wartime for violations of neutral Swedish air space by aircraft of both power blocs. We should have the possibility to detect and ward off of combat overflying aircraft and cruise missiles. A super power should otherwise already in the early stages of a conflict demand to reinforce or move forward portions of its air defenses to the Nordic areas to increase it effectiveness."(61)

Certain practical responses have been noted in recent months in Sweden in terms of heightened military and civil defense preparedness. Allegedly to be able to protect any Polish refugees fleeing a Soviet invasion, Sweden as well as Denmark reportedly increased air force and naval patrols in the Baltic.(62) That humanitarian objective does not, however, explain the partial mobilization last fall in Sweden which was still in effect at least as recently as late May 1981. Nor is it sufficient to explain the fact that Swedish civil defense preparedness and training levels have been intensified by the Swedish Civil Defense Agency since January 1981.(63)

While the level of perception of the potential Soviet threat may have increased recently in some quarters in Sweden, as well as concern over Swedish abilities to counter it, there are several questions that remain about the Swedish "component" of the flank.

One such question is whether Swedish defense expenditures are adequate to maintain a credible deterrent against Soviet attack. Sweden currently spends 3.4% of its GNP on defense according to Swedish military sources.(64) However, the adequacy of this spending level was challenged in a May 14, 1980 editorial in the authoritative Stockholm paper *Svenska Dagbladet* during the 1980 parliamentary defense debate.

> "[Under] the pressure of strained national finances the regime has been forced to also prune so hard on the defense appropriations that it is no longer even barely possible to conceal the hollowing out [of defense capability] which began in earnest as a result of the 1972 defense decision and which has thereafter in practice continued year after year."

And according to a leading Swedish political commentator, Bengt Lind, in April 1980,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

> "One can still not say that the defense is weak, but it is weakened and the development is going in the wrong direction. It is no state secret....What any observer can see is not only the weakening of the army's lead units, the infantry brigades, or the major reductions in the air force and the navy. He can also see the public portions of the Commander-in-Chief's ongoing program plans with the acknowledgement that not even the far from satisfactory five-year plan from 1977 can be fulfilled."(65)

And given an economic picture that had so deteriorated by May of 1981 that the President of the Swedish Employers Federation was compelled to state that "a nation of the type which Sweden represents simply doesn't go bankrupt,"(66) there must be some reservations raised as to whether either the material or psychological resources will be available to remedy the situation.

It may be interposed, at least with respect to the question of the psychological will to defend, that the 1981 Interim Defense Committee Report clearly reaffirmed the commitment of the Swedish people to "total defense" of Sweden against all forms of aggression.(67) As set forth therein, this includes a duty imposed upon every citizen, man or woman, "between the ages of 16 and 70 to during wartime as required" serve in the military, civil defense, medical services, etc.(68) It also includes providing protection to the entire population of 8.3 million against "nuclear, biological and chemical weapons."(69) As of today, what are considered effective shelters against such weapons have been provided for 5.5 million with space for 200,000 being added each year and evacuation systems developed for those not sheltered.(70) A very major civil defense exercise which continued for a 48-hour period was undertaken in May 1981.(71) And in response to what the Defense Committee characterized as an "increased risk of the use of chemical warfare," it recommended that gasmasks be obtained for the entire population (inclusive of infants) *within* 10 years.(72)

On the military side, the Committee has recommended that the attack capacity and antitank capabilities of Sweden's land forces should receive priority and that the number of mechanized units and the number of units equipped and trained for battle in northern Sweden should be increased.(73) Air defense is to be accorded increased importance.(74) It must be "made believable for the world about us that [Sweden] has the ability

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to detect and combat aircraft and cruise missiles. Even the ability to detect and repel violations of territorial waters must be maintained."(75) Airborne radar is to be added to existing command and control systems(76) and the air base system is to be developed with priority given to northern Sweden.(77)

At the same time it should be observed that only a few months after Afganistan, the Social Democratic Party, the largest single political party in the Swedish Parliament, proposed *reducing* the assertedly already inadequate defense budget by almost 433 million crowns (approximately $100 million).(78) And the youth Organization of the Center Party, one of the governing coalition parties, has said that "a planned military arms reduction must be commenced." The powerful Social Democratic Womens Organization has just recently called for a "delay in the choice of means for security policy which can make possible a military disarmament" and the National Labor Organization has called for "caution in connection with defense expenditures."(79)

Finally there is the question of the current capabilities of the Swedish armed forces. While both the Air Force and the Navy are maintained in peacetime "at such force and preparedness levels as to prevent the air and sea space around Sweden from being *immediately* used for invasion,"(80) Sweden, in contrast to Finland, Norway, and Denmark, has no standing army in peacetime(81) and thus is dependent upon sufficient warning time not only to mobilize its army, but to bring the navy, air force, and civil defense forces up to wartime levels.

Because of this and the fact that Afganistan demonstrated for the Swedes that an "attack could be directed at Sweden with much less warning that previously," the Defense Committee noted that this has increased the requirements for both rapid mobilization and that the Swedish forces are in the main ready for battle directly after mobilization.(82) According to the Committee, in order for Sweden to "have the possibility to mobilize at the right time and to an adequate degree demands a well functioning intelligence service."(83) But Swedish Member of Parliament and State Secretary Carl Bildt has noted that while the Swedish "defense is extremely dependent upon the government expenditiously drawing the correct conclusions from the political and military changes that can be observed in the world," the government's record on this point "is virtually completely negative and this has again been illuminated by the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

invasion of Afganistan."(84) According to Bildt,

> "The information and even the details of the Soviet military preparations against Afganistan in December 1979 were collected continously by the Western powers various intelligence agencies, and the most important of these details were publicized besides. In spite of this good look into Soviet military preparations before the invasion, there was a complete failure to draw the correct political conclusions about the Soviet intentions. The cards were on the table, but on one saw the pattern. This experience must again lead to the question of whether we can really rely upon the assumptions about long warning times that our present defense structure requires."(85)

Not only have doubts been raised about Sweden's ability to mobilize in a timely manner, but also about the readiness of those forces to fight once mobilized. This in turn depends upon reserve training levels. The Defense Committee admits that in recent years the numbers involved in reserve training exercises have been unsatisfactory and that this must be remedied.(86) In fact, from 1975/76 to 78/79 the numbers sank from 104,000 men to 49,000 men.(87) Further, year by year the overall numbers of trained and battle equipped units is decreasing in all branches of the Swedish armed forces.(88)

According to Swedish War College Instructor Lyth, the "reductions take place in tempo with the equipment wearing out and becoming obsolete. The appropriations are not sufficient to replace more than a portion of the equipment being taken out of service."(89) Between 1965 and 1975, as the Warsaw Pact was building up in terms of both quality and quantity, the number of brigades held constant at 30, but combat aircraft dropped from 660 to 560, submarines from 21 to 20, medium sized attack naval vessels from 22 to 10, small vessels rose by 1 from 37 to 38, and coastal artillery units dropped from 41 to 35. While firepower increased markedly during this period, admittedly that of the Pact forces increased as much or more. Finally, according to the current plan (which could be changed), the number of brigades will drop to 28, combat aircraft to 340, submarines to 12, medium sized attack vessels to 2, small sized to 35 and coastal artillery units to 29 by 1985.(90)

By 1979, Swedish military sources asserted that while Sweden would be capable of defending its neutrality against an attack from NATO forces during the period it was mobilizing and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

moving into battle positions, "large scale attacks by Warsaw Pact forces could be countered with any *prospect* for success *only* after mobilization *and* deployment were completed"(91) Yet informed, high ranking Swedish officials have questioned Sweden's ability to either obtain sufficeint warning time to mobilize or in fact mobilize even where there has been sufficient warning time.

This brings one back to the assertion that NATO's position on the Northern Flank is dependent on "the element of uncertainty posed (to Moscow) by presently neutral Sweden." The available evidence tends to dispel this uncertainty in a negative direction from NATO's standpoint – something which Moscow is presumably also aware of. Has then the flank already been turned?

FOOTNOTES

(1) "Brezhnev Asks Nuclear-Free Scandinavia," AP, Moscow, *Washington Star,* June 27, 1981.

(2) Apunen, "Urho Kekkonen and the Finnish Policy of Peace," p. 43, Otava, *Urho Kekkonen, A Statesman for Peace*, Helsinki, 1975.

(3) Leighton, p. 39, *infra* at note 25.

(4) "Nordisk forklaring: S-Partierna enig om kärnvapenfri zon," *Dagens Nyheter*, June 17, 1981.

(5) *Supra* at note 2.

(6) *Ibid.*

(7) *Supra* at note 2.

(8) "Hovedlinier i de Finsk-Sovjetiske relationer i tiden 1944-1970," Niels Jørgen Thogersen, *International analyse*, vol. 12, no. 6, August 1971, p. 11.

(9) *Ibid.*

(10) *Supra* at note 2, p. 44.

(11) *Ibid.*

(12) Pajunen, "Urho Kekkonen and Security in Northern Europe," p. 93, Otava, *Urho Kekkonen, A Statesman for Peace*, Helsinki, 1975.

(13) Brodin, "Säkerhetspolitisk Utveckling i Norden," *Sekretariatet for säkerhetspolitik och långsiktsplanering inom totalförsvaret, Försvarsdepartementet*, Stockholm, 1979.

(14) *Ibid.*

(15) *Supra* at note 4.

(16) It has been described as a significant aspect of the Finnish policy since 1943 of friendship and cooperation with the USSR, which is known in Finland and the other Nordic countires as (the) Paasikivi-Kekkonenenlinjen)Passikivi-Kekkonen Line or Direction), Katrina Brodin, *Hot och försvar, några centrala frågestallningar i finlandsk säkerhetspolitik*, 1975, Centralfobundet Folk Och Försvar, Stockholm, see esp. pp. 9, 19, 21.

(17) *Ibid.* at p. 37.

(18) *Ibid.* at p. 36.

(19) *Ibid.* p. 38.

(20) *Ibid.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

(21) *Ibid.* at p. 10.
(22) *Ibid.* at pp. 39, 40.
(23) *Ibid.* at p. 39.
(24) Leighton, p. 36, *infra* at note 25.
(25) Leighton, "The Soviet Threat to NATO's Northern Flank," p. 37, *Agenda*, NSIC, New York, 1979.
(26) *Ibid.*
(27) *Ibid.* at p. 38.
(28) *Ibid.* at pp. 38-39; Lyth, "Militärt Försvar i Norden," p. 72, Centralforbundet Folk och Försvar, Stockholm, 1979.
(29) Lyth, *supra* at pp. 71-72.
(30) "Ökar kostnaden mer an Nato?", *Dagens Nyheter*, 23 maj 1981.
(31) *Ibid.*
(32) *Ibid.*
(33) Leighton, *supra* at p. 34.
(34) *Ibid.* at pp. 33-34.
(35) Official Finnish export statistics.
(36) US Department of Commerce, *Business America,* p. 10, June 1, 1981.
(37) US Department of Commerce, *Business America*, p. 25, June 29, 1981.
(38) "Hård debatt om finskt forsvar, När gäller Sovietpakten?, p. 9, *Dagens Nyheter*, Stockholm, 23 May 1981.
(39) "Article 1. In the event Finland, or the Soviet Union through Finland's territory, should be subjected to armed attack from Germany's or a therewith allied state's side, Finland will, true to its obligations as an independent state, fight to ward off the attack. In this connection Finland will utilize all its disposable forces to defend its territorial integrity on land, at sea and in the air and do this within its borders in accordance with its obligations as detailed in this agreement, with need [when necessary] with the Soviet Union's help or together with the Soviet Union.

In the above case the Soviet Union will supply Finland (with) the from need called upon help, concerning the giving of which the parties to the agreement themselves agree.

Article 2. The High Contracting parties are obliged to confer between themselves in case it is determined that (the) threat of an in article 1 considered (referenced) military attack is present."
(40) Brodin, *supra* at p. 45.
(41) "Härd debatt," *supra* at note 38.
(42) *Ibid.*
(43) "Missnöje med Finland, Moskva vill tysta debatten om pakt," p. 14, *Dagens Nyheter,* 16 May 1981.
(44) *Ibid.*
(45) *Ibid.*
(46) Brodin, *supra* at p. 40.
(47) Brodin, *supra* at p. 54.
(48) R.D.M. Furlong (Oslo), "The Strategic Situation in Northern Europe, improvements vital for NATO," p. 899, 910, *International Defense Review*, No. 6/1979, Vol. 12, Geneva, Switzerland.
(49) Official Finnish trade statistics.
(50) This is in spite of a statement in the February 1981 Interim Report of the Swedish Parliamentary Defense Committee that: "consideration of and preparations for military cooperation with other countires is entirely out of the question." *Infra* at note 55, p. 79.
(51) State Secretary in the Swedish regime's Coordination Chancery, June 1980.
(52) Reportedly in a downward direction, in terms of relative and absolute strength trends vis-a-vis the Soviet Union and Warsaw Pact forces. See Swedish Department of Defense (fosvarsdepartementet"), Security Policy and Total Defense (Sakerhetspolitiken och Totalforsvaret), 1981 Interim Report of 1978 Parliamentary

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Defense Committee ("Betänkunde avgivet av 1978 års försvarskommitte"), Ds Fö 1981:1, Stockholm, Sweden, February 1981, pp. 54-58.

(53) Carl Bildt, "Supermakten Sovjet," p. 3, *Svenska Dagbladet, Stockholm,* June 8, 1980.

(54) *Ibid.*

(55) 1981 Interim Report of Swedish 1978 Parliamentary Defense Committee, *supra* at note 52, pp. 29, 35, 37-43.

(56) Carl Bildt, "Vilken slutsats ska Sverige dra?", *Svenska Dagbladet*, Stockholm, June 12, 1980, p. 3.

(57) *Ibid.* at p. 53.

(58) *Ibid.* at p. 77-78.

(59) *Ibid.*

(60) *Ibid.* at p. 54.

(61) Interim Report, *supra*, pp. 71-72. According to the December 1980 issue of the West German *Marine-Rundschau*, Sweden considers the potentially cruise missile carrying Soviet "Backfire" bomber a particular threat. *National Defense*, May-June 1981, p. 37.

(62) Leonard Downie, Jr., "Denmark, Sweden Make Preparations to Protect Refugees Fleeing Poland," *Washington Post*, June 12, 1981, pp. A27, 30.

(63) "Civiliförsvaret övade på Östrlen, *Sydsvenska Dagbladet*, May 14, 1981.

(64) *Militära Fakta med totalförsvarsfakta, 1980/81*, p. 7, Defense Staff Information Department, Stockholm, Sweden.

(65) Bengt Lind, "Försvaret ingen statshemlighet," *Svenska Dagbladet*, April 13, 1981, p. 3.

(66) "Ett land som Sverige går inte i konkurs!", *Svenska Dagbladet*, May 21, 1981; The Swedish Federation of Industries estimates a $5 billion current account deficit in 1982 and declines in industrial production in both 1981 and 1982. *Journal of Commerce*, June 26, 1981; *SI konjunkturen*, Nr. 3, June 17, 1981 (Swedish Federation of Industries).

(67) Interim Report, *supra* at p. 14-27; Militära Fakta, *supra* at p. 10.

(68) Interim Report, *supra* at p. 14.

(69) *Ibid.* at p. 20.

(70) Swedish Trade Council, *Civil Defense in Sweden*, pp. 4-5 (Prepared in cooperation with the swedish Civil Defense Agency).

(71) *Supra* at note 63.

(72) Interim Report, *supra* at p. 20.

(73) *Ibid.* at p. 17.

(74) *Ibid.* at p. 16.

(75) *Ibid.* at p. 16.

(76) *Ibid.* at p. 18.

(77) *Ibid.*

(78) "Riksdagen och försvaret," *Sydsvenska Dagbladet*, Stochholm, Sweden, May 14, 1980.

(79) Interim Report, *supra* at p. 58.

(80) Lyth, *supra*, p. 78.

(81) *Ibid.*

(82) Interim Report, *supra* at p. 16.

(83) *Ibid.*

(84) Bildt, *supra* at note 56.

(85) *Ibid.*

(86) Interim Report, *supra* at p. 19.

(87) Lind, *supra* at note 65.

(88) Lyth, *supra* at p. 84-85.

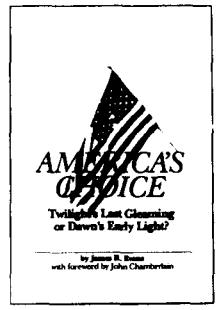
(89) *Ibid.*

(90) *Ibid.* at p. 87.

(91) *Ibid.* at p. 80.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Two books you can't afford



NOT to read!

DEREGULATING LABOR RELATIONS by Drs. Dan C. Heldman, James T. Bennett and Manuel H. Johnson

These three noted economists examine (1) the reasons for the lack of a comprehensive body of knowledge in labor regulation; (2) what kinds of current regulations most affect consumers and workers; and (3) what would be the effects of deregulation in the labor market.

The effects of labor sector regulation: "At least $183 billion annually, which figures out to about $2,000 for each civilian employee in the U.S. economy."

The authors' research figures and conclusions, written in consumer language, provide provocative reading for laymen and labor relations professionals.

$12.95 ISBN: 0-933028-14-8

AMERICA'S CHOICE: Twilight's Last Gleaming or Dawn's Early Light? by James R. Evans

Businessman/author/lecturer James Evans provides a scathing indictment of the U.S. government in its relationship with citizens. Some recent reviews;

> "...Jim Evans has issued a clarion warning about the dangers that confront our political and economic systems, and the steps that must be taken to defend our liberties."
>
> *WILLIAM E. SIMON*
> *Former Secretary of the Treasury*

> "The Frankenstein monster of big government has been devouring its creators. In this book, Jim Evans is spelling out how to reverse the process."
>
> *PAUL HARVEY*
> *News Commentator*

$11.95 ISBN: 0-933028-17-2

(DISTRIBUTED TO THE BOOK TRADE BY CAROLINE HOUSE PUBLISHERS, AURORA, IL 60506.)

The Fisher Institute
6350 LBJ Fwy., Suite 183E
Dallas, TX 75240 (214) 233-1041

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE PUZZLES OF PORTUGUESE POLITICS

By Anthony Trawick Bouscaren

The victory of the moderate-conservative Democratic Alliance in the December 2, 1979 elections marked a turning point in Portuguese politics. For the first time since the 1974 revolution, a government without the Socialists and the military became possible.

The 1974 revolution ousted the conservative Caetano regime, and brought to power a group of Marxist junior officers led by Col. Vasco dos Santos Goncalves (the Armed Forces Movement, MFA). To gain acceptability, the MFA talked the respected General Antonio de Spinola into taking the Presidency. But by September they had forced his resignation, among other reasons because he opposed their plan to turn power over to the Marxist forces in Angola and Mozambique. Opportunist General Costa Gomes became President, and Goncalves Premier. Portugal was headed in the direction of a "people's republic."

How the democratic forces of Portugal gradually united to save the country is analyzed below.

On August 29th, 1975, Portuguese President Costa Gomes was forced to fire Marxist Premier Vasco Goncalves, replacing him with Admiral Pinheiro de Azevedo. This temporarily ended the leftward slide of Portugal, based on the coalition of Alvaro Cunhal's Communists and the leftist Armed Forces Movement (MFA) whose leaders included Colonel Goncalves and the self-styled Castro of Portugal, General de Carvalho Otelo.

Gomes, a spineless man, had refused to take a stand against the Far Left, so his hand was forced by Socialist leader Mario Soares and Major Melo Antunes, a pro-Socialist leader of the original revolution of 1974, which overthrew the rightist regime of Marcello Caetano. Antunes was the leader of a group of nine moderate leftist officers who had become disenchanted by the pro-Communist slant of the MFA. The publication of their Manifesto earlier in August, together with Catholic resistance to Communist encroachments in northern Portugal, touched off the dismissal of Col. Goncalves. The Manifesto declared: "The country finds itself deeply shaken, deluded to a large extent of the great hopes it saw born with the MFA." The document called for a middle path between Communism

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and Western European social democracy.

The new Premier, Admiral Pinheiro, was sympathetic to the Left, but believed with Antunes that Goncalves was opening the door to the Communists. The new government consisted of five military men, including Foreign Minister Antunes, four Socialists (Soares among them), two Popular Democrats (a centrist group) and one Communist. But scarcely had the new government come into existence when the extremists of the Left struck back. Otelo created a new group, called Soldiers United Will Win (SUV), which proceeded to plan for an armed uprising in coordination with the Communists. Meantime leftist disorders plagued the country.

Pinheiro went on television to state: "The disorders of the last few days have surpassed all the limits of tolerance and have placed at risk the continuation not only of effective authority, but of any authority and even our national independence." He announced the creation of a new internal security force, the Military Intervention Force, headed by Brigadier-General Nunes Egidio. He also placed on alert one of the few non-politicized regiments left, the Amadora commandos under Colonel Jaime Neves. These forces were now faced by a leftist mutiny in the army barracks in Oporto. Rightist General Pires Veloso, commander of the northern military districy, favored tough action against the rebels, and Pinheiro and Antunes agreed that surrender to the mutineers demands would be dangerous. But President Costa Gomes and Army Chief of Staff General Fabiao favored conciliation. To the consternation of Pinheiro and Veloso, Fabiao went to Oporto and gave in to the leftist demands.

The Leftist Challenge

This action encouraged the Communists and their allies led by Otelo. The country was immediately engulfed by violence and anarchy. Pinheiro and Antunes could do only one thing: sidestep the natural chains of command and try to unite what disciplined and loyal troops remained. As it happened, the man to perform such a task was ready and waiting at Pinheiro's shoulder; he was an unknown young officer, Lieutenant-Colonel Ramalho Eanes.

Coup fever reached a peak in the fortnight leading up to the 11th of November, 1975, the day of Angola's independence.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Communist Cunhal and his ally Otelo wanted to hand power over to the Marxist Popular Movement for the Liberation of Angola (MPLA), while the rightist Democratic Movement for the Liberation of Portugal (MDPL), led by ex-President Antonio de Spinola (in exile) sought support for the National Front for the Liberation of Angola (FNLA) led by Holden Roberto, and favored by most Angolan refugees in Portugal. Pinheiro and Antunes compromised, so that Portugal pulled out of Angola without handing over power to any of the three liberation groups (the third being the National Union for the Total Independence of Angola, UNITA, led by Jonas Savimbi).

The next problem was what to do with Otelo and Fabiao, who persisted in sabotaging all efforts by the government to put a stop to leftist violence. The immediate problem, on November 12th, was a massive strike by Intersindical, the union controlled by Cunhal's Communists. Otelo, still head of the Operational Command for the Continent (COPCON), refused to support Premier Pinheiro; President Gomes, typically urged surrender to the strikers, while Antunes (backed by the forces under Col. Eanes) feared the results of a confrontation with a large body of workers. Pinheiro, besieged in his own home by demonstrators, finally yielded to the strikers demands in the early morning of November 14th.

Victorious leftists took over Lisbon, and southern Portugal became Communist-controlled. But in the north, anti-Communist and Catholic groups dominated, especially in Oporto. At a Socialist rally in that city, Mario Soares denounced the Communist attempt to "destroy the government and to set up a dictatorship." With the country drifting into two armed camps, Premier Pinheiro threatened to resign unless President Costa Gomes could guarantee the backing of the armed forces to restore governmental authority throughout the country. An official statement stated: "Recent events show that the government, which does not have the armed forces under its jurisdiction (Gomes was commander-in-chief), does not have the possibility of effectively assuring normal government activity in certain parts of the country."

Gomes temporized, as usual. While he replaced Otelo as military governor of Lisbon with Brigadier Vasco Lourenco (an ally of Antunes'), Otelo retained his job as head of COPCON. And Gomes denounced Pinheiro for threatening to resign, while promising a greater role for the Communists in the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

government. When leftist demonstrations called for the reinstatement of Otelo as military governor, Gomes capitulated.

At this point non-Communists from Socialists to conservatives closed ranks. At a mass rally in Lisbon, Soares, sharing the platform with Brigadier Pires Veloso, declared : " If the price of freedom is to fight, we will fight. Not only were the Communists beaten at April 25th at the polls, they will be beaten with arms as well if they come out on to the streets." Supported by the loyal army units of Veloso, Eanes and Neves, Pinheiro demanded that Gomes again replace Otelo with Lourenco as military governor of Lisbon. Gomes acceded to the demand.

Otelo and his allies now decided it was time to strike. Early in the morning of November 25th, leftist paratroopers seized the Monsanto air base outside Lisbon, then took control of three other air bases. But the planes had already been flown out of danger, and units led by Eanes and Neves regained control of the bases. Troops from the north, led by Pires Veloso came down to restore order in Lisbon.

Victory for the Non-Communist Coalition

The uprising collapsed, partly due to the mutual suspicions that existed between Cunhal's Communists and Otelo's maverick Marxists, and partly due to the unity of the moderates and conservative (from Socialists like Soares and Antunes to rightists like Veloso and the northern Catholic anti-Communists). The victors now sat down with President Gomes to discuss the future. The beginning of wisdom was to fire Otelo and Army Chief Fabiao. COPCON was disbanded. Goncalves and his chief lieutenants were arrested; other leftists including former Angolan High Commissioner Admiral Rosa Coutinho, former Labor Minister Major Costa Martins, and former northern military commander Brigadier Enrico Corvacho went into hiding. Communist leader Cunhal and his aides were not touched, perhaps because it was difficult to prove beyond shadow of doubt that they planned the revolt of the 25th.

The most significant appointment was that of the now General Eanes to become Army Chief of Staff. As Robert Harvey has revealed, in his remarkable analysis *Portugal: Birth of a Democracy* (St. Martin's Press, 1978, pp. 96-98) Eanes, not Antunes or Soares, was the key to the victory over the Far Left. With support from Colonel Jaime Neves, commander of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the loyal Amadora regiment, and Lieutenant-Colonel Soares Carneiro, president of the commando association, Eanes formed the United Military Front (FMU), whose goal was to de-politicize the armed forces, re-establish a professional army, and assume the leadership of the disparate forces from Socialists to conservatives to block the power grab of the extremists of the Left. This task was not an easy one. Soares had ambitions of his own, and was distrustful of the military. Antunes too, had political ambitions, and wanted to play a balancing act between the Socialists and exile General Spinola's Democratic Movement for the Liberation of Portugal (MDLP) which had much support in northern Portugal. In addition there was the Portuguese Liberation Army (ELP) a smaller rightist group with ties to the old regime of Caetano-Salazar. The leaders of the other two democratic parties, Francisco sa Carneiro (Popular Democrats) and Freitas do Amarel (Center Democrats) were also in the picture, plus such mavericks as the colorful General Galvao de Melo, Spinola, Veloso and Neves.

Eanes the New Leader

Eanes began his upward movement as soon as Admiral Pinheiro de Azevedo was named Premier. Pinheiro was close to Antunes, who knew that the new government could not stay in power without at least the tacit support of the non-politicized (meaning non-Marxist) armed forces. Antunes successfully sought the benevolent neutrality of Eanes' FMU. Both men were aware of the fact that the amorphous MDLP, though nominally loyal to Spinola, was susceptible to influence inside Portugal, and that the exiled former President was out of touch with events. Thus when Spinola's aide in Portugal Cotta Dais came out in favor of a rightist coup to sweep aside not only Goncalves, the Communists and the Socialists, Antunes and Eanes succeeded in keeping the MDLP, as well, benevolently neutral towards the new Pinheiro government. And soon the MDLP cadres recognized the shrewdness of moderation: a confrontation with the Left while it was still strong (Otelo, Fabiao and others still in office) was too risky. Better to form a united front of all groups believing in constitutionalism and in defusing the politicized MFA.

In this way, the key to a constitutional and moderate future was the FMU and Eanes. And the latter proved more politically astute than Antunes in recognizing that the new coalition could

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

not act prematurely against the Left; that the Left would have to commit an overt act first. Without Eanes and the FMU, Antunes and Pinheiro were leaders without an army. When the Premier threatened to resign on November 10th, it was not so much to protest President Gomes' indecisiveness as the failure of Eanes to move then and there against Otelo, Fabiao and the Communists. Of course without the original move by Antunes and the other eight officers who issued the ultimatun to President Gomes to fire Goncalves, there would have been no Pinheiro government and consequently no assumption of power by Eanes.

Eanes believed that Portugal's soldiers should get back to the barracks, that military rule (the MFA) had been bad both for Portugal and the army. He declared that the November 25th uprising had been defeated because his units "were commanded by officers with military ethics, who were not mortgaged to political groups and who are not pawned to sects." This view was shared by his colleague Jaime Neves of the Amadora regiment.

Antunes and Soares now had an intriguing argument about what to do with the Communists. In an interview with the Lisbon newspaper *Jornal Novo*, Soares said that the Communists should be allowed to remain in the government only if they repudiated the coup of November 25th, and if they stopped trying to subvert the government. This view was put even more strongly by the Popular Democrats and the Center Democrats. But Antunes claimed that the threat on the right was equal to that on the left, and that to exclude the Communists would be to open the door to the right (by which he meant, presumably, both Spinola's supporters and the more rightist Portuguese Liberation army ELP). So when Cunhal claimed that the Communists were not involved in the November coup, Soares, at the instigation of Antunes, put himself forward as the middle road between the Communists and the right. Involved here also was the bitter personal feeling between Soares and Sa Carneiro, the leader of the Popular Democrats, who had demanded the ouster of the Communists in vociferous terms, together with the inclusion of his party in a new government.

Antunes and Eanes disagreed on the role of the MFA. The former stated on December 9th: "If the MFA disappeared and left the country to be ruled by a parliamentary democracy, we would have to conclude that Portugal's revolution is finished."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But Eanes, the new Army Chief of Staff, wanted to end the political role of the armed forces, and the government implemented his plan to restore discipline to the armed forces, purge them of Marxist influences, and reorganize them into a much smaller, more professional force (down from 210,000 to 26,000 in the army).

Soares and the New Regime

Mario Soares and Sa Carneiro were grateful to Eanes for taking a firm stand against the continuing political role of the MFA which Antunes proposed, and in exchange they recommended to all political parties that a soldier should be the next president. Both men had independently decided that only a soldier could give the kind of background stability needed for the survival of a democratic government in the years ahead.

In February, 1976, Eanes and Sa Carneiro talked President Gomes into reducing Communist influence by splitting the Communists' only ministry in two. Thus the Communist (Alvaro Veiga de Oliveira) retained the new post of public works, while a non-Communist became Minister of Housing, Building and Urban Planning. Meantime the leader of the Center Democrats, Diogo Freitas do Amaral lined up with Soares, Sa Carneiro and Eanes in insisting that politics henceforth be in the hands of civilians (except that the new president should be from the military). Antunes' insistence that the armed forces be the guarantor of socialism was brushed aside. However Socialist leader Soares saw to it that the new constitution would be socialistic, with support from Antunes and others, including the Communists. With Communist support, the left-wing provisions of the constitution were passed by the end of March, 1976. The Popular Democrats accepted the document reluctantly. Only the Center Democrats (really conservative democrats) opposed.

Article 1 states: "Portugal is a sovereign republic based on the dignity of the human being and on the will of the people entrusted with its transformation into a society without classes." And Article 10 insists on "the collectivization of the main means of production." The constitution was clearly intended to limit the freedom of action of any non-Socialist government.

Having gotten his way on the constitution with Communist support, Soares determined that he must re-establish his image as an anti-Communist, so he announced that he would not include any Communists in the cabinet to be formed. By the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

same token, so as not to antagonize the left-wing of his party, he declared that he would not invite either of the two "bourgeois parties" into the government either. Thus Soares doomed Portugal to a minority rule government, which was to prove his undoing.

The 1976 Elections

The April, 1976, election produced a modest decline for Socialists (38 to 35% of the popular vote a year earlier), Popular Democrats (27 to 24%) and Communists (18 to 14%). The Center Democrats (conservatives) gained (from 7 to 16%). Antunes declared that the election proved that stability would be impossible without participation of the armed forces, and called for a coalition of Socialists, Communist and non-Communist left officers (including himself). But Soares indicated the Socialists would go it alone.

Next came the presidential election. After much jockeying, during which time Antunes and Soares originally favored Pinheiro de Azevedo for the job and the Popular Democrats and Center Democrats favoring Eanes, Soares ended up in Eanes's corner and talked the reluctant General into running. With the backing of the three major parties, Eanes won 61 percent of the vote, to 16 percent for Otelo, 14 percent for Pinheiro, and 7 percent for the Communist Pato. The winning candidate told reporters: "We must eliminate a climate of anarchy, which can only lead to misery and dictatorship . . . any attempts to create parallel powers rooted in activities of an insurrectional character will not be tolerated."

A discarded and dejected Costa Gomes watched his successor take office. The pendulum had swung from right to left and now back to center. Eanes's first act was to appoint Soares premier. The new cabinet consisted of eleven Socialists, three independents and two officers. One of these, the Minister of Defense, was Lieutenant-Colonel Firmino Miguel, a close friend of Eanes, whose nomination as Premier by the then President Spinola two years previous had been blocked by the MFA and the Communists. Portuguese democracy was born twenty-seven months after the April 1974 revolution which overturned the Caetano regime. Its hopes rested with its own elected president and premier, Eanes and Soares.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Economy

The Portuguese economy was a shambles. Collectivization of agriculture and nationalization of industry under Goncalves were disasters. Productivity was way down, inflation rampant. Political appointees were running industries about which they knew little. Investment was hard to come by in the disturbed political atmosphere. And a million refugees (*retornados*) from Africa complicated an already difficult situation. Where to find housing and jobs for these unfortunates who rightly believed that the government in Lisbon was the cause of their being uprooted.

Agriculture Minister Lopes Cardoso, a left-wing Socialist, believed in the expropriation of all agricultural land in Portugal. His ministry became an open well of money for regional institutes of agragian reform, many of them controlled by the Communists. Confronted by angry farmers demanding their land back, especially in the north, Soares fired Cardoso in November, appointing in his place Antonio Barreto, who proceeded to gradually return land expropriated under unjustifiable circumstances back to the owners. He also moved quickly to control the flow of credit pouring into the Communist dominated agricultural cooperatives.

Soares also proposed a law giving guarantees that no more private industry could be nationalized, but he moved slowly on compensation for the former owners of industries already nationalized. But despite the gradual stabilization of economic policy, the revival of private investment was slow, due to uncertainty about the program of a Socialist government. Portugal desperately needed foreign funds to tide it over during the period of political and economic readjustment. The United States finally came up with $300 millions in credits in February, 1977, and the U.S. and West Germany put together an additional $700 million in June. These infusions helped to restore the sagging balance of payments situation, but by no means solved the basic problem, which was low productivity in the public sector and understandable lack of investment in a socialized economy. Portugal's social and economic problems had caught up with the politicians. The fate of both Premier Soares and President Eanes would be decided not by the subtlety of party or army political maneuvering, but rather by the government's ability to navigate through Portugal's economic and social maelstrom.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Refugees

The problem of the refugees was tragic. Goncalves and the MFA had pulled the rug out from under them and the new Marxist regimes in Angola and Mozambique would have none of them. Most arrived by daily airlift from Luanda, capital of Angola. They could bring few possessions with them, and their Angolan currency was no good in Portugal. They were angry with the politicians who had sold them out, and most drifted into right-wing politics. Few jobs were available, and most lived in shacks made of old crates or corrugated iron. Pinheiro de Azevedo's government established the Institute for Aid to National Refugees, IARN, which tried to assist the uprooted with ousing, medical help, clothing and education. Refugees were paid $26 a month per single person, $52 for married couples, and $6 monthly per child. Some hotels were commandeered to house the *retornadoes*. Social problems including crime, developed.

Colorful General Galvao de Melo soon emerged as the champion of the *retornados*. As an independent Center Democrat deputy, he pestered the government with awkward questions about Portuguese political prisoners in Angola and Mozambique, together with questions about commitments to Marxist "liberation" groups by previous governments. He denounced Rosa Coutinho and Vasco Goncalves for their roles. President Eanes admonished him for his "demagoguery", and in April, 1977 Freitas do Amaral expelled him from the Center Democrat party because of his allegations that the Center Democrats were flirting too closely with the Socialists.

The refugee problem became worse in March, 1977, when Marxist dictator Samora Machel, in Mozambique, expelled all those in the country holding Portuguese passports. The Lisbon government, anxious to discourage emigration from the former colonies, decided to cut off welfare payments. But the refugees kept pouring in, and finally, in May, the government gave in although the new refugees were as strongly anti-Communist and Mozambiquan, Domingos Arouca, set up the United Democratic Front of Mozambique (FUMO) in Lisbon, which recruited soldiers from the exile community to return and overthrow Marxist dictator Machel. Like the Angolan refugee leadership, he looked to General Galvao de Melo for support of his program.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The *retornados* contributed to the chronic unemployment problem that plagued Portugal since the 1974 revolution. The resultant decline in productivity (strikes and political activity by union members) and inflation created a serious problem. The gold reserves, carefully built up during the conservatives years of Salazar and Caetano, were spent thereafter to pay for the imbalance in international payments.

In the first six months of the Soares government, the Communists, while suffering setbacks in Portugal, won far more important victories in the African colonies. Neto's MPLA won out in Angola, as a result of the policies of the previous Goncalves regime, the Soviet air and sea lift to its friends, and the refusal of the American Congress to provide aid to the UNITA and FNLA. This in turn led to the Soviet and Communist attack on Rhodesia, and Southwest Africa (Namibia).

Enter Freitas do Amaral

The two moderate and conservative parties, the Popular Democrats of Sa Carneiro (who changed their name to Social Democrats in October, 1976) and the Center Democrats of Freitas do Amaral were afraid of too serious a challenge to the Soares government because they thought this might mean a return of the MFA and the Communists. Curiously enough, the more conservative Center Democrats showed the most restraint (mostly because of the more sophisticated politics of Freitas do Amaral). The latter expelled the popular General Galvao de Melo from the party because the General was too critical of the Socialist government and Soares.

When Sa Carneiro became more bitter in his attack on the government (and Soares' refusal to allow the new Social Democrats into the government), Freitas do Amaral decided this was his opportunity. Recognizing President Eanes' ties with Soares and the Socialists, he persuaded his party to stick with the Socialists in the interests of saving democracy in Portugal. "Democracy is too fragile," he told British correspondent Robert Harvey, "to bring down a government after only six months in office." This elicited admiration from President Eanes, and some disquiet in his own party, which, however, he was able to contain. After he fired General Galvao de Melo in April, 1977, he was rewarded by being named chairman of the powerful administrative reform commission by President Eanes.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This act did not please Soares, who believed that Eanes was trying to create a coalition government or a surrogate Premier via the back door. But the Socialist government was not doing enough to cut government spending, undo the damage of nationalization and collectivization, or encourage investment. The balance of payments continued to be negative. The American-sponsored $700 million loan from the International Monetary Fund was only a palliative.

Meantime colonels Soares Carneiro (no relation to Sa Carneiro) and Jaime Neves, close to the President, tried in vain to talk him into broadening the government to include one of the two moderate parties. The appointment of Freitas do Amaral to the administrative reform post temporarily satisfied them.

Soares Defeated

The Government's refusal to share power, plus the deepening economic crisis, led to a showdown on December 8, 1977. Soares asked for a vote of confidence, and was defeated 159 to 100 votes. He had ruled Portugal for 500 days. Since nobody else was able to put together a government based on a parliamentary majority, President Eanes asked Soares to try again. Soares knew that to bring the Communists into the government would alienate the conservative north and scare off needed Western capital. But he would have nothing to do with either the Center Democrats or the Social Democrats, both of whom he characterized as "parties of the extreme right." Finally, as a result of his grudging admiration for Freitas do Amaral, he decided, a month later, to include three Center Democrats in a new government. The new coalition had a parliamentary majority of 23.

It was an off coupling. Only three years before, Soares touted his own party as the "farthest left of any Socialist party in Europe." At the same time, leftists were castigating the Center Democrats as "reactionary and a refuge for capitalists and former fascists." Both parties have since moved closer to the center. Center Democrat's leader Diogo Freitas do Amaral pointed out that similar alliances have worked in other countries in periods of crisis. "We can get together for a limited time to solve concrete problems," he said. "Neither party has had to renounce anything."

Nonetheless, the Communists protested that the alliance "threatened democracy" and "opened the door to the neo-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fascists." Other critics of Soares charged that he had sacrificed his principles in an effort to keep his power. But the "once and future Prime Minister," as he is called in Lisbon, could reasonably argue that the alternative to a new Socialist-led coalition would be disaster. If President Eanes had decided to call for new elections, the country would not have had a working government for about six months. Reason: a census would be required first, in order to register newcomers to the electoral rolls, notably refugees from Portugal's former African territories. Furthermore, the government crisis had halted crucial negotiations in progress with the International Monetary Fund, which has demanded an austerity program to check inflation and reduce trade deficits as a condition for $750 million in emergency loans to Portugal. Said Freitas do Amaral: "By the middle of '78 we would have been on the brink of bankruptcy with our national independence threatened." The Center Democrats could not take the responsibility for pushing the country into a situation like that.

The Center Democrats were given three ministries, including foreign affairs; there were two independents and ten Socialists. But this government did not last long. The Center Democrats complained that the Socialist Minister of Agriculture, Luis Saias, a former Communist, failed to restore to its original owners lands seized by leftists during the turbulent 1974 revolution. The Centrists also wanted sweeping modifications in a proposed national program of socialized medicine.

The Center Democrats had been increasingly criticized by conservative-minded Sa Carneiro, who was restored to leadership of the Social Democrats. Meanwhile Socialist Premier Soares, while accepting the Center Democrats votes in the Assembly, largely ignored them while making policy. The end came on July 27, 1978, when Soares, defeated on a confidence bid, was forced to resign.

President Eanes was loath to call new elections, inasmuch as a million or so refugees from Africa would not be on the election rolls until the end of 1978. Many believed he would appoint Lieutenant Colonel Firmino Miguel Premier (he had been General Spinola's choice after the 1974 revolution, but never took office due to leftist opposition). However, to the surprise of most observers, the President appointed his favorite industrial technocrat, consulting engineer Alfredo Nobre da Costa. The Premier-designate had no political following, but had served in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

several preceeding governments, and was highly regarded for his administrative skills. For many years an employee of the Champalimaud industrial empire, Portugal's second largest financial complex, he had served as Minister of Industry in Soares' government, at the insistence of Eanes.

Soares was unhappy with the appointment, and claimed that President Eanes had violated the Constitution by not appointing a Socialist premier. The new government did not last long, however, and three weeks later, following a vote of no confidence, President Eanes began looking for another Premier. He selected independent moderate Mota Pinto, who began his tenure at the sufferance of the major parties. He formerly was minister of commerce and tourism in the first government of former Socialist Prime Minister Mario Soares and was a leading member of the Social Democratic Party until he left the party in 1975 following differences with its leader. But the new premier and his cabinet of independents and technicians favored cut backs in governments spending which the parliament would not accept. Both Socialists and Communists rejected the anti-inflationary programs proposed by the new finance minister, Jacinto Nunes. Thus the premier handed in his resignation early in June, 1979 after months of impasse between government and parliament.

President Eanes announced, on July 13, that he would dissolve parliament and hold new elections. Then he surprised everyone by appointing Miss Maria de Lurdes Pintassilgo, a left-of-center advocate of women's rights, as interim premier.

In preparation for the elections, a center-right alliance was established by Francisco Sa Carneiro, Diogo Freitas do Amaral and Goncalo Ribeiro Telles, the respective leaders of the Social Democratic party, the Center Democrats, and the small Popular Monarchist party. The three men agreed to bury past rivalries in a common effort to defeat the left in parliament. In their view, the political and economic deadlock in the past three years had been due to the ability of a combined Socialist-Communist vote to block any item of legislation.

The center-right alliance's "treaty of co-operation" promised the Portuguese voters a radical alternative which could bring about changes to the country's socialist constitution and its political and economic consequences. It held out the prospect of denationalization, decollectivization, and an unambiguous acceptance of a mixed economy along the lines familiar else-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

where in western Europe. It was the first time since Portugal's revolution five years ago that the country's disorganized right had managed to agree on a common set of principles. Before the 1976 election, Mr. Sa Carneiro's Social Democratic party had toyed with the idea of a future agreement with the Socialist party and had included left-wing slogans in its election program. The Center Democratic party came into being in 1974 as a more consistent collection of modern conservatives.

The experience of two years of ineffectual Socialist minority government, and one year of efficient right-wing administration by non-party governments, brought the Social Democrats and the Christian Democrats closer together ideologically.

On December 2nd, the Democratic Alliance (as the center-right coalition was called) won 44.6 percent of the vote and 125 seats in the parliament; the Socialists of Soares won 27.4 percent (73 seats), and the Communists 19 percent (47 seats). Thus for the first time since the 1974 revolution, a government excluding Marxists became possible.

Premier Sa Carneiro's government took office in January, 1980. In less than three months the Democratic Alliance had:

1) sent para-military National Guardsmen deep into the heart of the Alentajo region in southern Portugal to hand back to private ownership farms illegally seized by leftist unions during the 1974-75 revolution.

2) rammed through parliament a measure to allow private banks to compete with those nationalized during the revolution.

3) drawn up a package of industrial incentives to bring back the foreign and domestic investors frightened away during the revolution, and to compensate those whose assets were nationalized.

4) started cutting taxes to stimulate the economy, and imposed an indirect wage freeze to control inflation.

Perhaps more importantly, the right-of-center coalition, and specifically Sa Carneiro himself, had challenged President Eanes's conception of running Portugal through a grand coa- the Democratic Alliance and the Socialist party. Premier Sa Carneiro described this as "impossible, because Portugal is an entirely polarized country," in which the Socialists were becoming camp-followers of a Communist campaign against the new government. And the Premier declared that he would oppose the reelection of President Eanes in the December, 1980 elections.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Sa Carneiro denied reports that he himself sought the presidency: "I am not interested in the presidency. I don't intend to stand for it. I think it would be a mistake. I have to prove that I can be a good prime minister. I prefer to exercise active powers. The presidency is a post with few powers." (*The Economist*, April 5, 1980, p. 45).

In fact the President does have some important powers, including the veto power, and the selection of the Premier. Sa Carneiro and his supporters were, by early April, 1980, looking for another military man to run against Eanes. Among the candidates considered were Admiral Silva Horta, Governor of the Azores, Army Chief of Staff General Pedro Cardoso, Air Force Chief General Lemos Ferreira, and General Soares Carneiro. The latter, an ambitious 52-year-old officer who was praised by some as the incarnation of military virtue and feared by others as a potential military strongman, was finally selected in mid-April.

General Soares Carneiro spent most of his military career in administrative positions in Angola, where he helped found the first Portuguese antiguerrilla commando units, policed the diamond mines at Lunda and held the top political job of Secretary General of the colony before the 1974 coup which felled the longtime dictatorship.

One of his closest collaborators in Angola was Col. Gilberto Santos e Castro, who after independence collaborated with the American Central Intelligence Agency and the guerrillas of Holden Roberto in their unsuccessful struggle to oust the new leftist Angolan Government. Back in Portugal, other members of the Santos e Castro family put General Soares Carneiro, then a lieutenant colonel, in touch with the rightist Center Democrats, one of the two main parties today in the governing Democratic Alliance.

Though against the coup, Colonel Soares Carneiro accepted it, but he was arrested in March 1975 and held for several months by the new left-wing authorities on suspicion of participating in an aborted rightist coup led by Gen. Antonio de Spinola. Freed, the officer began to organize clandestine anti-Communist cells in the military, which were linked with similar groups in northern Portugal.

After the countercoup on November 25, 1975 that halted the revolution's left-ward drift – an operation masterminded by General Ramalho Eanes, then a lieutenant colonel – a dispute

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

broke out among the ascendant "operational" officers over what attitude to take toward the Communist Party. Colonel Soares Carneiro is reported to have favored suppressing the Communists, while Colonel Eanes was opposed, fearing that such a move would be a first step toward the right.

General Soares Carneiro's strong anti-Communist feelings inspire fear in the ranks of Alvaro Cunhal's pro-Soviet party, and Democratic Alliance strategists make it clear that they believe their candidate could bring the Communists to heel — though they insist he would never ban them. But the general's candidacy has elicited considerable talk of the need for a "muscular democracy" to wrestle with the nation's problems.

The 1980 Elections

The puzzles of Portuguese politics were scarcely clarified by the legislative election, October 5, 1980, or the presidential contest, December 7th. In the former, the ruling Democratic Alliance won a landslide victory, with 47.3 percent of the vote (up 2.2 percent from the interim election of December, 1979). The Socialists polled 27.8 percent, down half a percentage point, and the Communists decline by 2.2 points, to 16.8 percent.

The Alliance victory was supposed to provide Portugal with a stable government for the next four years, during which time the conservatives hoped to revise the Marxist constitution, abolish the veto power of the leftist Council of the Revolution, denationalize the economy, encourage the private sector, and get Portugal admitted into the Common Market. But in order to accomplish this, Prime Minister Sa Carneiro, whose Democratic Alliance now held 136 of the 250 parliamentary seats, had to elect his candidate, General Antonio Soares Carneiro, to the presidency in the December elections.

In this contest, the candidate General was completely overshadowed by the Prime Minister, who repeatedly stated that if his man failed to defeat President Eanes, he would resign. In other words, Sa Carneiro tried to make of the presidential election a vote of confidence in him. With the opinion polls showing General Carneiro behind Eanes, the Prime Minister decided, at the last minute, to fly to Oporto three days before the election, to address a rally of the faithful. In order to cut the time involved, he was talked into cancelling a commercial flight, and took off on a leased Cessna, which crashed on take-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

off from Portela airport. The colorful and ebullient Sa Carneiro was killed, together with Defense Minister Amaro da Costa.

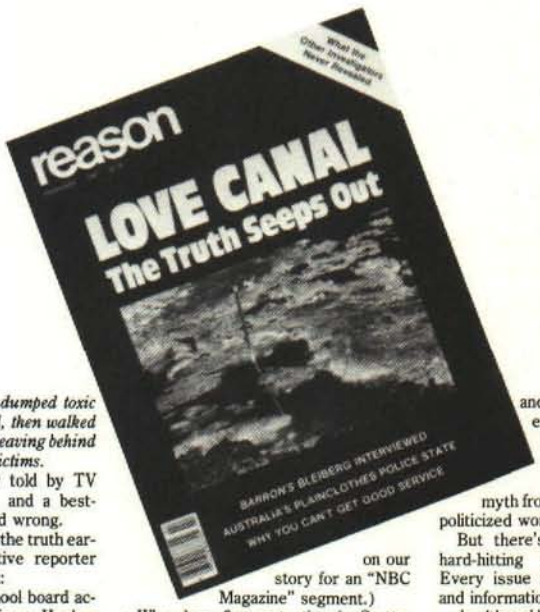
The death of the Prime Minister just before the election shook the nation, but did not help presidential candidate Carneiro, who was overwhelmed in the December 7th vote by incumbent President Earnes, who received support not only from the left, but also from some moderates who were disappointed with the lacklustre campaign of the General.

Meantime the Democratic Alliance chose Pinto Balsemao, a 42 year-old journalist and lawyer, to succeed Sa Carneiro as its leader. Newly reelected President Eanes then asked Balsemao, as leader of the largest party in Parliament, to form a new government, which he did, January 9th, 1981. Thus the Portuguese legislature, supported by the right-center, was confronted by a presidency, backed by the left-center. When Parliament voted to return nationalized banks and insurance companies to the private sector, the military Council of the Revolution, headed by President Eanes, vetoed the bill as unconstitutional (contrary to the socialist constitution created in 1976). (*Jornal Novo*, July 18, 1981).

In terms of foreign policy, both government and president are in the western camp. But so far as domestic politics are concerned, President Eanes and his supporters (including many from the 1974 revolution) are determined to block the conservative drift of the Democratic Alliance.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

To Get the Right Answer, You Have to Ask the Right Question.



A heartless corporation dumped toxic chemicals in Love Canal, then walked away from the problem, leaving behind a neighborhood full of victims.

At least that's the story told by TV news, magazine articles, and a best-selling book. It's also dead wrong.

Reason readers learned the truth earlier this year. Investigative reporter Eric Zuesse revealed that:

- The Niagara Falls school board acquired Love Canal from Hooker Chemical in 1952 under threat of eminent domain;
- The school board disregarded repeated, explicit warnings not to disturb the canal's clay cover;
- The city punched two sewer lines through the canal walls, in 1957 and 1960, allowing chemicals to seep throughout the neighborhood.

Finding this out didn't take Freedom of Information Act requests. The whole story was available in public documents in Niagara Falls. Yet no other national magazine had bothered to look. They all just took it for granted that a giant corporation *had* to be the guilty party.

At *Reason* we ask questions other journalists don't get around to asking. Questions like the following:

- Why has the FDA refused to permit surgeons to use super-glue adhesive in surgery — even when it can save lives? (NBC was impressed — they picked up on our story for an "NBC Magazine" segment.)
- Why does fire protection in Scottsdale, Arizona cost about half what it costs in nearby communities? Could it be because an innovative private company provides the service? (CBS thought so — they devoted a "60 Minutes" episode to our story.)

Reason's authors refuse to accept the conventional wisdom. They're skeptical of the claims of Big Business, Big Labor, and (most of all) Big Government. At *Reason* we're dedicated to helping thinking people separate fact from fiction, myth from reality, in our complex, politicized world.

But there's more to *Reason* than hard-hitting investigative reporting. Every issue features news, analysis, and information you can use every day — health and longevity news from Durk Pearson and Sandy Shaw, money management from Steve Beckner, tax tips from Tim Condon. Plus reviews of books, movies, and television, cartoons, and a free-wheeling letters forum.

Challenge your thinking with a monthly dose of *Reason*. Subscribe today.

reason Box 40105, Santa Barbara, CA 93103

Send me the next 12 issues of *Reason* at the special introductory rate of $1 per month (50% off cover rates).

____ Bill me ____ $12 check or money order enclosed*

Name _____

Address _____

City _____ State _____ Zip _____

Allow up to six weeks for delivery. Offer applies to new subscribers only.

*Canadians please note: US dollar money orders only.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE MANKIND QUARTERLY

SAMPLE ARTICLES

- Trial by Ordeal in Lundazi
- The Races and Peoples of Central Asia
- Anthropology of the Turkish-Cypriots
- Peter Klopfer and 'Feral Constraints'
- Economic Life of the Onge of Little Andaman
- The Role of the Gene in Evolutionary Adaptation
- The Chibchan-Paezan Languages
- Bio-Chemical Markers and the New Physical Anthropology
- The Linguistic Affinities of the Scythians
- Disease as a Eugenic Force
- Mammalian Social Systems and Early Human Societies
- Blood Group Analysis and the Classification of Races
- Kingship in Polynesia
- The Anthropology of the Aunjetitz Population of Tomice, Poland
- Race and Culture: A Case from the Bahamian Out-Islands
- The Baniva Indians and their Reaction to Assimilation
- Ales Hrdlicka on Race Deterioration
- Migration and Neolithic Agriculture in India
- Population Control and the Anti-Eugenic Ideology
- The Prehistory of Musical Instruments
- Simple and Advanced Pastoral Societies

Publication and proprietorship of The Mankind Quarterly has been assumed by the Cliveden Press, a branch of The Institute for the Study of Man, Suite 520 - 1629 K Street, N.W., Washington, D.C. 20006, U.S.A. (Telephone (202) 232-1040). Readers in the United Kingdom may subscribe through the Edinburgh Office at 1 Darnaway St., Edinburgh EH3 6DW, Scotland. The price of subscriptions is $20 (£8) per annum for private individuals and $40 (£16) per annum for libraries, institutions and other corporate bodies. Special reduced three year subscription rates are available, at a cost of $55 to individuals (twelve issues) and $110 for libraries and other corporate bodies (twelve issues). Members of the academic community and other qualified readers are invited to contact the General Editor at the U.S.A. address with a request for style sheet should they be interested in submitting manuscripts for possible publication. No manuscripts should be sent to the General Editor without a stamped and addressed envelope for return.

ISSN 0025-2344

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED